Cielo S.A. and Subsidiaries

Consolidated and Individual Financial Statements for the Year Ended December, 31, 2014 and Independent Auditors' Report

Contents

Independent Auditors’ report on the Financial Statements

To the Shareholders and Management
Cielo S.A.
Barueri-SP

Introduction

We have audited the accompanying individual and consolidated financial statements of Cielo S.A. (“Company”), respectively referred to as Company and Consolidated, which comprise the balance sheet as of December 31, 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the Company financial statements in accordance with Brazilian accounting practices and the Consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Brazilian accounting practices, and for such internal control as Management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Company financial statements
In our opinion, the Company financial statements give a true and fair view of the financial position of Cielo S.A. as of December 31, 2014, and of its financial performance and its consolidated cash flows for the year then ended in accordance with Brazilian accounting practices.

Opinion on the Consolidated financial statements
In our opinion, the Consolidated financial statements give a true and fair view of the financial position of Cielo S.A. as of December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and the Brazilian accounting practices.

Other matters

Statements of value added
We have also examined the Company and Consolidated statements of value added prepared under responsibility of the Company's management for the year ended December 31, 2014, whose reporting is required by Brazilian Corporate Law, which governs corporations, and is considered supplementary information by the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements were subjected to the same auditing procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Osasco, January 28, 2015

KPMG Auditores Independentes
CRC 2SP028567/O-1 F-SP
Original report in Portuguese signed by
Cláudio Rogélio Sertório
Accountant CRC 1SP212059/O-0

Cielo S.A. and Subsidiaries

Balance sheets as of December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$)

Assets	Note	Company (BR GAAP) 12/31/2014	Company (BR GAAP) 12/31/2013	Consolidated (IFRS and BR GAAP) 12/31/2014	Consolidated (IFRS and BR GAAP) 12/31/2013
Current Assets					
Cash and cash equivalents	4	3.758.037	257.145	3.998.721	423.062
Trade accounts receivable	5	9.179.595	8.314.607	9.641.389	8.638.509
Trade receivables from subsidiaries	29	115	73	384	642
Advanced and recoverable taxes		-	-	1.514	1.234
Prepaid expenses		5.907	21.533	10.212	23.636
Other receivables		21.058	13.074	29.513	17.378
Total current assets		12.964.712	8.606.432	13.681.733	9.104.461
Noncurrent Assets					
Deferred income tax and social contribution	6	742.909	575.860	756.734	592.542
Escrow deposits	16.b)	1.103.037	925.305	1.108.475	951.409
Other receivables		181	183	20.192	19.046
Investments	7	969.057	850.181	58.867	46.388
Property and equipment	8	701.274	497.049	723.915	515.328
Intangible assets:					
Goodwill on acquisition of investments	9	56.799	56.799	1.122.766	999.725
Other intangible assets	10	126.672	74.065	1.206.992	1.081.683
Total noncurrent assets		3.699.929	2.979.442	4.997.941	4.206.121
Total Assets		16.664.641	11.585.874	18.679.674	13.310.582

Liabilities and Equity	Note	Company (BR GAAP) 12/31/2014	Company (BR GAAP) 12/31/2013	Consolidated (IFRS and BR GAAP) 12/31/2014	Consolidated (IFRS and BR GAAP) 12/31/2013
Current Liabilities					
Payables to merchants	12	930.070	838.488	1.330.176	1.122.475
Prepayment of receivables with card issuers	11	2.250.035	3.282.460	2.250.035	3.282.460
Borrowings and financing	13	4.829.609	269.555	4.833.602	273.110
Trade accounts payable		613.661	435.342	700.319	497.165
Taxes payable	14	436.441	528.014	442.548	538.484
Payables to subsidiaries	29	12.210	12.570	-	-
Dividends payable	17.g)	475.801	453.510	475.801	453.510
Others payable	15	157.601	138.130	235.063	196.757
Total current liabilities		9.705.428	5.958.069	10.267.544	6.363.961
Noncurrent liabilities					
Borrowings and financing	13	1.438.909	1.275.086	2.506.140	2.215.375
Provision for risks	16.b)	1.205.427	1.028.903	1.223.633	1.064.024
Deffered income tax and social contribuition	6	-	-	344.665	325.594
Other payables	15	5.767	3.991	13.292	9.749
Total noncurrent liabilities		2.650.103	2.307.980	4.087.730	3.614.742
Equity					
Capital	17.a)	2.000.000	1.000.000	2.000.000	1.000.000
Capital reserve	17.b)	75.854	99.637	75.854	99.637
Treasury shares	17.c)	(194.478)	(37.055)	(194.478)	(37.055)
Comprehensive income	17.d)	5.969	5.448	5.969	5.448
Earnings reserves	17.e), f) and g)	2.421.765	2.251.795	2.421.765	2.251.795
Attributed to shareholders of Cielo S.A.		4.309.110	3.319.825	4.309.110	3.319.825
Shareholders other than Cielo S.A.'s				15.290	12.054
Total equity		4.309.110	3.319.825	4.324.400	3.331.879
Total Liabilities and Equity		16.664.641	11.585.874	18.679.674	13.310.582

The accompanying notes are integral part of these financial statements.

Cielo S.A. and Subsidiaries

Statements of income

For the years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$, except earnings per share)

		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Net Revenue	20	6.430.439	5.712.517	7.725.578	6.734.240
Cost of Services	21	(2.027.685)	(1.734.466)	(3.050.620)	(2.549.652)
Gross Profit		4.402.754	3.978.051	4.674.958	4.184.588
Operating Income (Expenses)					
Personnel	21	(224.745)	(169.025)	(371.065)	(267.289)
General and administrative	21	(361.791)	(279.526)	(383.404)	(289.661)
Sales and marketing	21	(274.203)	(236.413)	(287.571)	(255.954)
Equity in subsidiaries	7	31.949	17.399	11.479	(2.089)
Other operating expenses, net	21 and 22	(222.796)	(178.256)	(232.894)	(185.584)
Operating Income		3.351.168	3.132.230	3.411.503	3.184.011
Finance Income (Expenses)					
Finance income	27	16.426	18.404	19.760	20.073
Financial expenses	27	(93.677)	(86.322)	(132.139)	(118.726)
Revenues from advanced receivables	27	1.508.551	953.042	1.508.551	953.042
Exchange rate changes, net	27	163	250	193	257
		1.431.463	885.374	1.396.365	854.646
Operating Income Before Income Tax And Social Contribution		4.782.631	4.017.604	4.807.868	4.038.657
Income Tax and Social Contribution					
Current	6	(1.729.834)	(1.482.315)	(1.763.725)	(1.511.941)
Deferred	6	167.050	138.312	184.790	153.960
Net Profit for the Year		3.219.847	2.673.601	3.228.933	2.680.676
Attributed to					
Shareholders of Cielo S.A.				3.219.847	2.673.601
Shareholders other than Cielo S.A.				9.086	7.075
				3.228.933	2.680.676
Basic Earnings per Share (in R$) - Basic	18.c)	2,34925	1,75379	2,34925	1,75379
Basic Earnings per Share (in R$) - Diluted	18.d)	2,33936	1,75013	2,33936	1,75013

The accompanying notes are integral part of these financial statements.

Cielo S.A. and Subsidiaries

Statements of comprehensive income

For the years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$)

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Net profit for the year	3.219.847	2.673.601	3.228.933	2.680.676
Comprehensive income				
Exchange differences in the conversion of foreign transactions:				
Exchange differences of foreign transactions	97.800	93.250	97.800	93.250
Gains and losses from hedge instruments (bonds) on foreign transactions, net of taxes	(97.279)	(92.781)	(97.279)	(92.781)
Changes in the period	521	469	521	469
Total comprehensive income for the year	3.220.368	2.674.070	3.229.454	2.681.145
Attributed to				
Shareholders of Cielo S.A.			3.220.368	2.674.070
Shareholders other than Cielo S.A.			9.086	7.075

The accompanying notes are an integral part of these financial statements.

Cielo S.A. and Subsidiaries

Statements of changes in equity

For the years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$)

		Attributed to controlling interest										
					Earnings reserves							
	Note	**Capital**	**Capital reserve**	**Treasury shares**	**Legal reserve**	**Capital budget**	**Additional proposed dividends**	**Earnings retention**	**Comprehensive income**	**Total Controlling Interest**	**Noncontrolling interest**	**Total Equity**
Balances as of December 31, 2012 (Republished)		500.000	99.951	(23.410)	100.000	1.279.304	443.403	-	4.979	2.404.227	8.934	2.413.161
Dividends paid in addition to the minimum mandatory dividends in 2012		-	-	-	-	-	(443.403)	-	-	(443.403)	-	(443.403)
Capital increase		500.000	-	-	-	(500.000)	-	-	-	-	-	-
Acquisition of treasury shares		-		(66.702)	-	-	-	-	-	(66.702)	-	(66.702)
Stock options granted		-	18.045	-	-	-	-	-	-	18.045	-	18.045
Sale of treasury shares under the stock option plan		-	(18.359)	53.057	-	-	-	-	-	34.698	-	34.698
Net profit for the year		-	-	-	-	-	-	2.673.601	-	2.673.601	7.075	2.680.676
Allocation of net income for the year:		-	-	-	-	-	-		-	-	-	-
Legal reserve		-	-	-	100.000	-	-	(100.000)	-	-	-	-
Dividends paid		-	-	-	-	-	-	(791.300)	-	(791.300)	-	(791.300)
Proposed minimum dividends		-	-	-	-	-	-	(414.410)	-	(414.410)	-	(414.410)
Additional dividends to the minimum mandatory dividends		-	-	-	-	-	500.410	(500.410)	-	-	-	-
Interest on capital paid		-	-	-	-	-	-	(49.400)	-	(49.400)	-	(49.400)
Proposed interest on capital		-	-	-	-	-	-	(46.000)	-	(46.000)	-	(46.000)
Capital budget reserve		-	-	-	-	772.081	-	(772.081)	-	-	-	-
Effect from other shareholders other than Cielo S.A. on consolidated entities		-	-	-	-	-	-	-	-	-	(3.955)	(3.955)
Comprehensive income:												
Exchange differences in the conversion of foreign transactions:												
Exchange differences of foreign transactions		-	-	-	-	-	-	-	93.250	93.250	-	93.250
Gains and losses from hedge instruments on foreign transactions, net of taxes		-	-	-	-	-	-	-	(92.781)	(92.781)	-	(92.781)
Balance as of December 31, 2013		1.000.000	99.637	(37.055)	200.000	1.551.385	500.410	-	5.448	3.319.825	12.054	3.331.879
Dividends paid in addition to the minimum mandatory dividends in 2013		-	-	-	-	-	(500.410)	-	-	(500.410)	-	(500.410)
Capital increase	17.a)	1.000.000	-	-	-	(1.000.000)	-	-	-	-	-	-
Acquisition of treasury shares	17.c)	-	-	(230.881)	-	-	-	-	-	(230.881)	-	(230.881)
Stock options granted		-	23.037	-	-	-	-	-	-	23.037	-	23.037
Sale of treasury shares under the stock option plan	17.c)	-	(46.820)	73.458	-	-	-	-	-	26.638	-	26.638
Net profit for the year		-	-	-	-	-	-	3.219.847	-	3.219.847	9.086	3.228.933
Allocation of net income for the year:		-	-	-	-	-	-	-	-	-	-	-
Legal reserve	17.e)	-	-	-	160.992	-	-	(160.992)	-	-	-	-
Dividends paid	17.g)	-	-	-	-	-	-	(996.846)	-	(996.846)	-	(996.846)
Proposed minimum dividends	17.g)	-	-	-	-	-	-	(419.021)	-	(419.021)	-	(419.021)
Additional dividends to the minimum mandatory dividends	17.g)	-	-	-	-	-	283.859	(283.859)		-	-	-
Interest on capital paid		-	-	-	-	-	-	(66.800)	-	(66.800)	-	(66.800)
Proposed interest on capital	17.g)	-	-	-	-	-	-	(66.800)	-	(66.800)	-	(66.800)
Capital budget reserve		-	-	-	-	1.225.529	-	(1.225.529)	-	-	-	-
Effect from other shareholders other than Cielo S.A. on consolidated entities		-	-	-	-	-	-	-	-	-	(5.850)	(5.850)
Comprehensive income:												
Exchange differences in the conversion of foreign transactions:												
Exchange differences of foreign transactions		-	-	-	-	-	-	-	97.800	97.800	-	97.800
Gains and losses from hedge instruments on foreign transactions, net of taxes		-	-	-	-	-	-	-	(97.279)	(97.279)	-	(97.279)
Balance as of December 31, 2014		2.000.000	75.854	(194.478)	360.992	1.776.914	283.859	-	5.969	4.309.110	15.290	4.324.400

The accompanying notes are an integral part of these financial statements.

Cielo S.A. and Subsidiaries

Statements of cash flows

For the years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$)

		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Cash flow from operating activities					
Income before income tax and social contribution		4.782.631	4.017.604	4.807.868	4.038.657
Adjustments to reconcile income before income tax and social contribution					
To net cash provided by operating activities:					
Depreciation and amortization	8 and 10	342.548	309.912	427.361	391.211
Recognition of provision for losses on property and equipment and intangible assets		116	376	116	376
Residual cost of property and equipment and intangible assets written off	8 and 10	28.579	25.440	34.144	30.650
Stock option plan		(23.783)	(314)	(23.783)	(314)
Allowance for doubtful accounts and chargebacks	22	131.807	72.453	131.807	72.453
Provision for risks tax, civil, labor	16.a)	191.550	216.957	197.509	221.221
Adjustment to present value of trade accounts receivable	27	67.089	93.888	67.089	93.888
Interest of shareholders other than Cielo S.A.		-	-	9.086	7.075
Exchange change on interest deriving from borrowings and financing raised abroad		1.801	23	1.801	23
Interest on borrowings and financing	13	65.971	64.583	102.587	96.821
Impairment of goodwill	9	-	30.479	-	30.479
Equity in subsidiaries	7	(31.949)	(17.399)	(11.479)	2.089
(Increase) decrease in operating assets:					
Trade accounts receivable		(932.077)	(2.821.725)	(1.069.969)	(2.867.491)
Trade receivables from subsidiaries		(42)	76	258	(508)
Advanced and recoverable taxes		-	-	(280)	1.842
Other receivables (current and noncurrent)		(7.982)	1.155	(13.951)	(479)
Escrow deposits	16.b)	(177.732)	(179.685)	(157.066)	(180.017)
Prepaid expenses		15.626	(16.708)	13.424	(16.619)
Increase (decrease) in operating liabilities:					
Payables to merchants		(1.072.650)	1.615.533	(956.531)	1.605.490
Trade accounts payable		178.319	85.109	203.154	92.635
Taxes payable		(6.191)	(16.585)	(6.759)	(13.934)
Payables to subsidiaries		(360)	1.161	-	-
Other payables (current and noncurrent)		21.248	12.068	26.913	13.981
Payment of tax, civil and labor lawsuits	16.a)	(15.026)	(7.175)	(37.900)	(10.223)
Cash from operations		3.559.493	3.487.226	3.745.399	3.609.306
Interest paid	13	(61.390)	(63.164)	(98.031)	(96.136)
Income tax and social contribution paid		(1.775.123)	(1.482.697)	(1.812.809)	(1.513.716)
Net cash provided by operating activities		1.722.980	1.941.365	1.834.559	1.999.454
Cash Flow From Investing Activities					
Capital increase in subsidiaries and joint ventures	7	(1.000)	(5.500)	(1.000)	(5.500)
Receipt of compensation		-	-	-	8.189
Payment of remaining balance related to acquisition of subsidiary		-	(32.544)	-	(32.544)
Dividends from subsidiaries	7	11.873	4.009	-	-
Additions to property and equipment and intangible assets, excluding acquisitions POS	8 and 10	(628.075)	(356.651)	(673.387)	(385.325)
Net cash used in investing activities		(617.202)	(390.686)	(674.387)	(415.180)
Cash Flow From Financing Activities					
Acquisition of treasury shares	17.c)	(230.881)	(66.702)	(230.881)	(66.702)
Sale of treasury shares under the stock option plan	17.c)	73.458	53.057	73.458	53.057
Borrowings FINAME and Promissory Note	13	4.848.580	318.836	4.848.580	318.836
Payment of principal	13	(278.477)	(206.481)	(278.477)	(206.481)
IRRF on interest on capital paid	17.g)	(10.020)	(7.410)	(10.020)	(7.410)
Dividends and interest on capital paid	17.g)	(2.007.546)	(1.667.321)	(2.007.546)	(1.667.321)
Net cash provided by (used in) financing activities		2.395.114	(1.576.021)	2.395.114	(1.576.021)
Effect from exchange rate changes on cash and cash equivalents of foreign subsidiary		-	-	20.373	10.474
Increase (decrease) in Cash and Cash Equivalents		3.500.892	(25.342)	3.575.659	18.727
Cash And Cash Equivalents					
Closing balance	4	3.758.037	257.145	3.998.721	423.062
Opening balance	4	257.145	282.487	423.062	404.335
Increase (decrease) in Cash and Cash Equivalents		3.500.892	(25.342)	3.575.659	18.727

The accompanying notes are an integral part of these financial statements.

Cielo S.A. and Subsidiaries

Statements of value added

For the years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais - R$)

		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Revenues					
Sales of services	20	7.146.616	6.357.492	8.494.167	7.416.883
Allowance for doubtful accounts and chargebacks	22	(131.807)	(72.453)	(131.807)	(72.453)
		7.014.809	6.285.039	8.362.360	7.344.430
Inputs from third parties					
Cost of services		(1.562.023)	(1.322.378)	(2.569.381)	(2.103.212)
Materials, electric energy, outside services and others		(617.829)	(504.530)	(526.755)	(430.305)
Other payables, net		(90.873)	(105.429)	(112.437)	(129.043)
Loss on realization of assets		(116)	(376)	(4.624)	(363)
		(2.270.841)	(1.932.713)	(3.213.197)	(2.662.923)
Gross value added		4.743.968	4.352.326	5.149.163	4.681.507
Retentions					
Depreciation and amortization	8 and 10	(342.548)	(309.912)	(427.360)	(391.211)
Wealth created, net		4.401.420	4.042.414	4.721.803	4.290.296
Wealth received in transfer					
Equity in subsidiaries	7	31.949	17.399	11.479	(2.089)
Interest of shareholders other than Cielo S.A.		-	-	(9.086)	(7.075)
Finance income, including exchange rate changes and advanced receivables, net	27	1.779.770	1.126.378	1.783.134	1.128.054
		1.811.719	1.143.777	1.785.527	1.118.890
Total wealth for distribution		6.213.139	5.186.191	6.507.330	5.409.186
Distribution of wealth					
Personnel and related taxes		(249.335)	(188.805)	(390.378)	(288.170)
Profit-sharing		(68.173)	(54.851)	(88.088)	(69.991)
Taxes and contributions		(2.328.374)	(2.030.081)	(2.411.680)	(2.093.397)
Accrued interest and leasing		(347.410)	(238.853)	(397.337)	(284.027)
Dividends paid	17.g)	(996.846)	(791.300)	(996.846)	(791.300)
Interest on capital paid	17.g)	(66.800)	(49.400)	(66.800)	(49.400)
Earnings retention		(2.156.201)	(1.832.901)	(2.156.201)	(1.832.901)
Wealth distributed		(6.213.139)	(5.186.191)	(6.507.330)	(5.409.186)

The accompanying notes are an integral part of these financial statements.

Notes to the individual and consolidated financial statements

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

1 Operations

Cielo S.A. (the "Company" or "Cielo") was established on November 23, 1995 in Brazil, and is primarily engaged in providing services related to credit and debit cards and other payment methods, as well as providing related services, such as signing up of merchants and service providers, rental, installation and maintenance of Point of Sales - POS equipment, and data capture and processing of electronic and manual transactions.

Cielo is a corporation headquartered in Barueri, State of São Paulo, whose shares are traded on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, under ticker symbol "CIEL3", and its subsidiaries comprise Banco do Brasil and Bradesco conglomerates.

The operations of the Company's direct subsidiaries, indirect subsidiaries and joint ventures are as follows:

Direct subsidiaries

- **Servinet Serviços Ltda. ("Servinet") -** engaged in the provision of maintenance and contacts with merchants and service providers for acceptance of credit and debit cards and other payment methods.

- **Cielo USA, Inc. ("Cielo USA") -** Its main activity is participation in other companies as partners or shareholder "holdings".

- **Multidisplay Comércio e Serviços Tecnológicos S.A. ("Multidisplay") -** engaged in data transmission services to load fixed or mobile phone credits and the sale of mobile phone credits.

- **Braspag Tecnologia em Pagamento Ltda. ("Braspag") -** engaged in software development; automated transaction processing; IT services for collection and management of trade accounts payable and receivable using the Internet.

Other direct subsidiaries

- Aliança Pagamentos e Participações Ltda. ("Aliança") (*)

- Cielo Cayman Island ("Cielo Cayman") (*)

(*) The Aliança and Cielo Cayman did not carried out any operational, non-operational, equity or financial activity up to the year ended December 31, 2014.

Indirect subsidiaries

- M4Produtos e Serviços S.A. ("M4Produtos") - Multidisplay's subsidiary engaged in data transmission services to load fixed or mobile phone, prepaid transportation and similar credits; mobile payment and technology consulting services; and software development and licensing.

- Merchant e-Solutions, Inc. ("Me-S") - Cielo USA's subsidiary engaged in the provision of services related to the facilitation of electronic payments with either credit or debit cards, comprising transaction authorization, financial clearing, and the notification of transactions to merchants.

Joint ventures

- Companhia Brasileira de Gestão de Serviços ("Orizon") - Formerly Orizon Brasil Processamento de Informações de Saúde Ltda., engaged in the provision of consulting and data processing services to medical companies in general; management of back office services for health operators in general; electronic network interconnection services between health operators and medical and hospital service providers (e.g.: hospitals, clinics and laboratories), and other health system agents and drugstores.

- Prevsaúde Comercial de Produtos e de Benefícios de Farmácia Ltda. ("Prevsaúde") - Orizon's subsidiary engaged in medicine benefit services to corporate customers, healthcare plans, public customers, and large laboratories.

Other joint ventures

- Precisa Comercialização de Medicamentos Ltda. ("Precisa")

- Guilher Comércio, Importação, Exportação e Distribuição de Medicamentos e Tecnologia para Saúde Ltda. ("Guilher")

- Paggo Soluções e Meios de Pagamento S.A. ("Paggo")

Cielo and its subsidiaries are also referred to as "Group" throughout this report.

New corporate business

- Memorandum of understanding for equity interest in Stelo S.A.

- On April 16, 2014, Cielo informed the market on execution of a memorandum of understanding with Cia Brasileira de Soluções e Serviços ("CBSS"), controlled by Banco Bradesco S.A. and Banco do Brasil S.A., to hold interest in capital of Stelo S.A., wholly-owned subsidiary of CBSS that operates as on-line payment and digital portfolio facilitator, both for the physical world and e-commerce.

  Accomplishment of this transaction depends on signing of definitive documents and approvals from the Company's Board of Directors.

- Agreement for the setup of a joint venture with Banco do Brasil

  On November 19, 2014, Cielo announced to the market that it had reached an agreement to set-up a joint venture with Banco do Brasil S.A aiming to manage credit and debit card transactions, among which, management of payment accounts, support to the security management and control of transactions, and payment of brands and payment arrangements fees, being remunerated for such activities through the interchange fee over the credit and debit card transactions performed with cards issued by Banco do Brasil under the Ourocard arrangement.

The joint venture valuation is R$ 11.6 billion, and its capital participation will be divided into 70% for Cielo and 30% for Banco do Brasil, considering the fact that Banco do Brasil will contribute "Arranjo Ourocard" related assets and Cielo will invest R$ 8.1 billion in the operation and the funding will be done through issuance of debentures.

The conclusion of the negotiation is subject to comply with precedent conditions among which, but not limited to, the negotiation and signature of complementary documents contemplating specific aspects of the joint venture's operation. The authorizations from the Administrative Council for Economic Defense (CADE) and Brazilian Central Bank in accordance with the Resolution 4062/12 and the Law 12865/13 were granted on January 16, 2015 .

2 Summary of significant accounting policies

2.1 Statement of compliance

The Company's financial statements are comprised of:

The Company's financial statements, which have been prepared in accordance with accounting practices adopted in Brazil, identified as "Company (BR GAAP)".

The Company's consolidated financial statements, which have been prepared in accordance with the International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB and in accordance with accounting practices adopted in Brazil, identified as "Consolidated (IFRS and BR GAAP)".

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law, as well as the technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM").

On December 23, 2014, amendments to Technical Pronouncement CPC 35 - Demonstrações Separadas were issued due to changes made to IAS 27 – Separate Financial Statements by IASB, which included the equity method as an accounting option for investments in the separate financial statements and consequently amendments to Technical Pronouncements CPC 37 – Adoção Inicial das Normas Internacionais de Contabilidade and CPC 18 – Investimento em Coligada, em Controlada e em Empreendimento Controlado em Conjunto. Therefore, as from 2014, the separate financial statements have been complying with the IFRS, since they already adopted the equity method to account for investments in subsidiaries, associates and joint ventures.

2.2 Basis of preparation

The financial statements have been prepared based on the historical cost, except if otherwise stated. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

2.3 Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the functional and reporting currency of the Company.

Management determined that the functional currency of its foreign subsidiaries is the US dollar. In Cielo USA, the main factor to determine the functional currency was the raising of US dollar denominated loans for the acquisition of control of Me-S. These loans will be fully settled using the cash from foreign transactions. In addition, with respect to Me-S, the services provided and cash flows are fully stated in US dollars.

For purposes of presentation of the consolidated financial statements, the assets and liabilities of subsidiaries Cielo USA and Me-S (based in the USA), originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at each period end. Profits or losses were translated at the average monthly exchange rates for the period. Exchange rate changes resulting from such translations were classified in comprehensive income and accumulated in equity.

The goodwill and adjustments to the fair value of identifiable assets acquired and liabilities assumed arising from the acquisition of a foreign subsidiary are recognized as assets and liabilities and translated based on the exchange rate at the end of the reporting period. Exchange differences are recognized in equity.

2.4 Revenue recognition

Revenue is measured at the fair value of the amount received or receivable, less estimated returns, commercial discounts and/or bonuses granted and other similar deductions.

Revenues from credit and debit card transactions are recognized when transactions are processed. Revenues from services to associates and merchants are recognized when the service is provided.

The income from the dividends of investments is recognized when the shareholder's right to receive these dividends is established (provided that it is probable that the future economic benefits will flow to the Group and the amount may be measured reliably).

Interest income is recognized when it is probable that the future economic benefits will flow to the Group and the amount may be measured reliably.

Revenues from the prepayment of receivables to merchants are recognized on a pro rata basis through their maturities.

In the case of Me-S, in the context of its agreements with the banks, it assumes liabilities of the acquirer bank and is, therefore, accountable for the interchange rates. In addition, the bank receives market rates for its services and, therefore, is not exposed to the agreement's risks and rewards. Additionally, there are factors such as the portability of the contracts with merchants and the fact that Me-S has a direct interaction with its clients, on a daily basis, and it holds the transaction's credit risk. As a result, Me-S is the main debtor and recognizes revenue based on its gross amount and the interchange is recognized as cost of services.

2.5 Cash and cash equivalents

Include cash, bank accounts and highly-liquid, short-term investments with insignificant risk of change in fair value, stated at cost plus interest earned. Cash and cash equivalents are classified as financial instruments and their income is recorded in profit or loss for the year.

2.6 Trade accounts receivable and payable to merchants

a. Prepayment of receivables - Accounts receivable from issuing banks related to the prepayment of receivables, stated at present value, determined on an individual basis, less cash flows of each one of the receivables recorded using the interest rates applied to such transactions.

b. Settlement receivables - Accounts receivable from card - using banks related to prepayment of receivables, is correspond mainly to the receivables from card association members for processed financial transactions by the Me-S that were authorized but not yet received. These receivables are generally settled on the following day.

c. Receivables from merchants - represent interchange fees and service fees for transaction processing receivable form merchants, as a result of Me-S's practice to settle transactions at full amounts from merchants and collect these fees at the beginning of the next month.

d. Transactions pending transfer - refer to transactions carried out by the holders of credit and debit cards issued by financial institutions, consisting of receivables from card-issuing banks, less interchange fees and payables to merchants less processing fees (discount rate), both with maturities of less than one year.

e. Settlement payables to merchants from transactions process by Me-S - correspond to the balances due to customers for processed transactions by Me-S that has not yet been paid. Me-S pays merchants the amounts received from card association members on the business day subsequent to the day the transaction is captured.

f. Merchant deposits - Me-S maintains funds as a security deposit to hedge against of the risk of a client going bankrupt and being unable to pay for the services provided. The amount withhold from each client is based on the risk factors associated to the client, which include, among others, the type of business and the volume of completed transactions.

2.7 Property and equipment

Stated at historical cost, less depreciation and accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets. The estimated useful lives, residual values, and depreciation methods are reviewed at least on an annual basis, and the effects from any changes in estimates are recorded prospectively.

An item of property and equipment is written off upon disposal or when there is no future economic benefits resulting from its continuous use. Any gain or loss from the sale or write-off of an item of property and equipment is determined by the difference between the sales amount received and the carrying value of the asset sold, recognized in profit or loss.

2.8 Intangible assets

Separately acquired intangible assets

Separately acquired intangible assets with finite useful lives are stated at cost, less accumulated amortization and accumulated impairment losses thereon. Amortization is recognized on a straight-line basis, based on the estimated useful lives of the assets. The estimated useful life and amortization method are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

Intangible assets acquired in a business combination
In the consolidated financial statements, intangible assets acquired in a business combination and recognized separately are stated at fair value on the acquisition date, which is equivalent to cost.

Internally generated intangible assets
Expenditure on research is recognized as expense when incurred. When no internally generated intangible asset may be recognized, the development costs are recognized in profit or loss when incurred.

Impairment of tangible and intangible assets excluding goodwill
At the end of each reporting period, and if there is evidence, the Group reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that these assets might be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount, and impairment losses are immediately recognized in the income.

2.9 Business combinations
In the consolidated financial statements, business combinations are stated under the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs have been recognized in the income, when incurred. The identifiable assets acquired and liabilities assumed are recognized at fair value on the acquisition date. Goodwill is measured based on the exceeding amount arising from the sum up of the amount transferred, the noncontrolling interest in the acquire and the fair value of the acquirer's interest previously held in the acquire on the net amounts on the date of acquisition of the identifiable assets acquired and liabilities assumed.

2.10 Goodwill
Goodwill arising from a business combination is stated at cost on the date of the business combination, net of accumulated impairment loss, if any. For impairment test purposes, goodwill is allocated to each one of the cash-generating units of the Company that benefit from the business combination synergies. The cash-generating units to which goodwill was allocated are tested for impairment annually or more frequently, when there is any indication of impairment.

If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and subsequently to the other assets of the cash-generating unit, proportionally to the carrying amount of each of its assets.

2.11 Income tax and social contribution - Current and deferred
Income tax and social contribution expenses represent the sum of current and deferred taxes.

Current taxes
The provision for the Company's income tax and social contribution is calculated based on the taxable income for the year. Income tax was calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$240. Social contribution was calculated at the rate of 9% on adjusted profit.

Deferred taxes
Deferred income tax and social contribution are recognized on the differences between assets and liabilities recognized for tax purposes and related amounts recognized in the consolidated financial statements. Deferred income tax and social contribution are determined based on the tax rates (and laws) in effect at the period end of financial statements and applicable when the respective income tax and social contribution are paid. The recovery of deferred tax assets is reviewed at the end of each reporting period and when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, these are adjusted to their expected recoverable amount.

Current and deferred taxes are recognized in profit or loss, except when they correspond to items recorded in "Comprehensive income", or directly in equity. In these cases, current and deferred taxes are recognized in "Comprehensive income", in equity.

When current and deferred taxes result from the initial recognition of a business combination, the tax effect is accounted for on the recognition of a business combination.

2.12 Employee benefits
The Company and its subsidiaries are co-sponsors of a defined contribution pension plan. Contributions are made based on a percentage of the employees' compensation. Payments to defined contribution plans are recognized as expense when the services they entitle to are provided.

2.13 Provision for risks
Recognized when there is a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, taking into consideration the risks and uncertainties related to the obligation. Provisions for tax lawsuits are recorded based on the total taxes under legal dispute, plus inflation adjustment and late payment interest incurred through the end of the reporting period.

2.14 Dividends and interest on capital
The proposed distribution of dividends and interest on capital made by the Company's Management that does not exceed the mandatory minimum dividends is recognized in line item "Dividends payable" in current liabilities as it is considered a legal obligation under the Company's bylaws; however, the portion of dividends exceeding mandatory minimum dividends, when applicable declared by Management after the reporting period but before the issuance of the financial is authorized is recognized in line item "Proposed additional dividends" in equity, whose effects are disclosed in note 17(g). For corporate and accounting purposes, interest on capital is stated as allocation of profit or loss directly in equity.

2.15 Stock Option Plan
The Company offers a stock option plan to its officers and the officers and executives of its subsidiary Servinet. Options are priced at fair value on the grant date of the plans and are recognized on a straight-line basis in profit or loss as a contra entry to equity. At the end of each reporting period, the Company reviews its estimates of the number of vested options based on the plan's terms and conditions and recognizes the impact of the revision of initial estimates, if any, in the statement of income, as a contra entry to equity.

2.16 Financial assets and financial liabilities

a. *Financial assets*

Financial assets are classified in the following specific categories: (i) at fair value through profit or loss; (ii) held to maturity; (iii) loans and receivables; and (iv) available for sale. Classification is made according to the nature and purpose of the financial assets and is determined upon initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss when acquired. A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling it in the near term; (ii) part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent actual pattern of short-term profit-taking; (iii) a derivative that is not a designated and effective hedging instrument in hedge accounting. Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses recognized in profit or loss for the year. Net gains or losses recognized in profit or loss include dividends or interest earned by the financial asset.

Financial assets held to maturity

Financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity are classified as held to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest rate method, less the allowance for impairment losses. Interest income is recognized using the effective interest rate method.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, measured at amortized cost using the effective interest method, less the allowance for impairment losses. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale and not classified in any of the categories above. Available-for-sale financial assets are measured at fair value. Interest, inflation adjustment and exchange rate changes, if applicable, are recognized in profit or loss when incurred. Changes arising from measurement at fair value are recognized in a specific line item of equity when incurred, and are charged to profit or loss when realized or considered unrecoverable.

b. *Financial liabilities*

Financial liabilities are classified as follows: (i) at fair value through profit or loss; or (ii) as other financial liabilities.

Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trading or measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains and losses recognized in profit or loss. Net gains or losses recognized in profit or loss comprise any interest paid on financial liabilities.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on a yield basis

2.17 Use of estimates

The preparation of individual and consolidated financial statements requires the Company's and its subsidiaries' Management to make estimates that affect certain assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses for the year. Significant assets and liabilities subject to these estimates include the residual value of property and equipment and intangible assets, allowance for doubtful accounts (on trade accounts receivable from lease of POS equipment), deferred income tax and social contribution assets, appreciation of derivative financial instruments, impairment of goodwill and provision for risks. Since management's judgment involves making estimates concerning the probability of occurrence of future events actual results could differ from those estimates. The Company and its subsidiaries review estimates and assumptions at least annually.

2.18 New and revised standards and interpretations issued and not yet adopted

The new IFRSs issued by the IASB and not yet in force are:

- **IFRS 9 -** Financial Instruments **-** introduces new requirements for classification, measurement and write-off of financial assets and liabilities (effective for annual periods beginning on or after January 1, 2018).

- **IFRS 15 -** Revenue from Contracts with Customers **-** introduces new requirements to recognize income from sales of goods and services (effective for annual periods beginning on or after January 1, 2017).

The Company's management evaluated this new IFRS and does not expect significant effects on reported amounts.

2.19 Regulations issued by the Central Bank of Brazil (BACEN)

Due to Law 12865, published on October 9, 2013, the Company is subject to regulation issued by the Central Bank of Brazil (BACEN), according to guidelines established by the National Monetary Council (CMN) and regulations issued by the Central Bank itself. Therefore, the Company is subject to authorization of the Central Bank to operate, and must comply with the rules covering, among others, risk management, minimum Shareholders' Equity levels and enforcement requirements similar to those of a Financial Institution. Management is taking the necessary steps and making adjustments to be in full compliance with the latest regulations as of the beginning from the granting of authorization by the Central Bank.

Cielo has already filled the authorization request protocol and waits the decision of the Central Bank of Brazil.

3 Consolidated financial statements

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entities. Control is obtained when the Company has the power to control an entity's financial and operating policies to benefit from its activities. In the Company's financial statements, the financial information on subsidiaries and jointly-controlled entities are recognized under the equity method.

The profit or loss on the subsidiaries acquired during the year is included in the consolidated financial statement of income from the effective date of acquisition. The balance of profit or loss is attributable to the Company's owners and noncontrolling interests, despite of losses.

When necessary, the subsidiaries' financial statements are adjusted their accounting policies to those set by the Group. All intercompany transactions, balances, income and expenses are fully eliminated in consolidated financial statements.

For subsidiaries, the full consolidation concept was applied, intended for investments in subsidiaries and entailing the recognition of all assets, liabilities, income and expenses in the parent, thus requiring the recognition of noncontrolling interests.

Consolidated financial statements contemplates account balances of the Company (company), direct subsidiaries Multidisplay, Servinet, Braspag and Cielo USA, and indirect subsidiaries Me-S and M4Produtos.

Information per business segment

The Company has a single business segment, the information reported in consistent with the internal reporting provided to the chief operating decision maker ("Chief Operating Decision-Maker - CODM"). This segment arises from the services in relation to the capture and transaction processing with credit and debit cards, other means of payment and related services. With regard to information on the geographical area, the Company has operations in Brazil and the United States of America, through its Me-S and Cielo USA subsidiaries.

3.1 Direct (individual control) and indirect subsidiaries

The equity interests held in the consolidated subsidiaries are as follows:

	Interest - %			
	Total capital		**Voting capital**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Direct subsidiaries:				
Servinet	99.99	99.99	99.99	99.99
Cielo USA	100.00	100.00	100.00	100.00
Multidisplay	50.10	50.10	50.10	50.10
Braspag	99.99	99.99	99.99	99.99
Aliança*	99.99	-	99.99	-
Indirect subsidiaries:				
M4Produtos	50.10	50.10	50.10	50.10
Me-S	100.00	100.00	100.00	100.00

(*) Aliança was established in this year and has not carried out any operational, non-operational, equity or financial activity up to the year ended December 31, 2014.

The balances of assets and liabilities of direct and indirect subsidiaries as of December 31, 2014 and December 31, 2013, and the main statement of income line items for the year ended December 31, 2014 and 2013 are as follows:

	12/31/2014					
	Servinet	**Multidisplay**	**M4 Produtos**	**Braspag**	**Me-S**	**Cielo USA**
Assets:						
Current	39,243	19,734	84,702	16,569	571,012	6,127
Noncurrent	25,379	43,279	23,297	14,905	237,499	2,231,408
Total assests	**64,622**	**63,013**	**107,999**	**31,474**	**808,511**	**2,237,535**
Total assests for the year ended December 31, 2013	**79,330**	**50,192**	**79,249**	**26,372**	**604,289**	**2,002,332**
Liabilities and equity:						
Current	25,611	15,934	80,786	4,634	451,522	3,993
Noncurrent	16,484	-	1,769	15	7,402	1,404,494
Equity	22,527	47,079	25,444	26,825	349,587	829,048
Total liabilities and equity	**64,622**	**63,013**	**107,999**	**31,474**	**808,511**	**2,237,535**
Total liabilities and equity for the year ended December 31, 2013	**79,330**	**50,192**	**79,249**	**26,372**	**604,289**	**2,002,332**

	12/31/2014					
	Servinet	**Multidisplay**	**M4 Produtos**	**Braspag**	**Me-S**	**Cielo USA**
Profit or loss:						
Net revenue	124,287	193,139	70,784	29,693	1,039,476	-
Gross profit (loss)	121,788	9,828	40,349	15,615	292,544	(55,437)
Operating profit (loss) before finance income	7,211	18,678	24,252	6,303	96,120	3,259
Profit (loss) before income tax and social contribution	8,690	18,413	24,964	6,699	95,315	(33,357)
Profit for the year	**6,153**	**18,209**	**16,321**	**4,311**	**58,696**	**884**
Profit for the year ended December 31, 2013	**4,781**	**14,109**	**12,479**	**4,271**	**58,430**	**3,367**

3.2 Joint ventures

Interests in joint ventures include:

	Interest - %			
	Total capital		**Voting capital**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Joint ventures:				
Orizon	40.95	40.95	40.95	40.95
Prevsaúde	40.95	40.95	40.95	40.95
Precisa	-	40.95	-	40.95
Guilher	40.95	40.95	40.95	40.95
Paggo	50.00	50.00	50.00	50.00

The joint ventures assets and liabilities as of December 31, 2014 and 2013, and the main statement of income line items for the year ended December 31, 2014 and 2013:

	12/31/2014				
	Orizon	**Precisa**	**Prevsaúde**	**Paggo**	**Guilher**
Assets:					
Current	120,426	-	14,602	-	3,318
Noncurrent	54,336	-	450	390	16
Total assets	**174,762**	**-**	**15,052**	**390**	**3,334**
Total assets for the year ended December 31, 2013	**141,537**	**11,295**	**8,643**	**565**	**228**
Liabilities and equity:					
Current	16,028	-	1,967	209	3,364
Noncurrent	843	-	44	-	-
Equity (equity deficiency)	157,891	-	13,041	181	(30)
Total liabilities and equity	**174,762**	**-**	**15,052**	**390**	**3,334**
Total liabilities and equity for the year ended December 31, 2013	**141,537**	**11,295**	**8,643**	**565**	**228**

	12/31/2014				
	Orizon	**Precisa**	**Prevsaúde**	**Paggo**	**Guilher**
Profit or loss:					
Net revenue	113,654	-	11,741	-	1,053
Gross profit (loss)	53,137	1,365	7,517	(393)	(132)
Operating profit (loss) before finance income	27,112	2,778	7,277	(644)	(265)
Profit (loss) before income tax and social contribution	35,381	2,890	7,972	(652)	(193)
Profit (loss) for the year	**28,827**	**2,747**	**6,178**	**(652)**	**(193)**
Profit (loss) for the year ended December 31, 2013	**8,365**	**(5,817)**	**3,807**	**(11,028)**	**(278)**

4 Cash and cash equivalents

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Cash and banks:				
Local currency	25,082	22,432	26,208	30,150
Foreign currency	20,037	8,003	206,941	135,856
Short-term investments:				
Debentures subject to repurchase agreements (a)	3,705,009	152,021	3,737,513	165,959
Bank certificates of deposit CDB (a)	5,901	72,923	26,051	89,331
"Money Market Deposit Account" - MMDA (b)	2,008	1,766	2,008	1,766
Total	3,758,037	257,145	3,998,721	423,062

Short-term investments have the following characteristics:

(a) As of December 31, 2014, the average yield of debentures subject to repurchase agreements and CDBs was 100.55% (102.07% as of December 31, 2013) of the Interbank Deposit Certificate (CDI) rate.

(b) The funds invested abroad (New York - USA) in MMDA earn yield at a fixed rate of 0.25% per year.

The balances under line item "Cash and banks" consist of cash on hand and cash available in bank accounts in Brazil and abroad, derived primarily from deposits made by credit and debit card-issuing banks, in the case of the Company, and by the card association members, in the case of Me-S that such amounts are used to settle transactions with merchants.

These short-term investments are highly liquid and their fair values do not differ materially from their carrying amounts.

5 Trade accounts receivable

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Prepayment of receivables (a)	9,112,285	8,272,708	9,112,285	8,272,708
Settlement receivables (b)	-	-	275,193	173,502
Receivables from merchants (c)	-	-	103,457	86,446
Bank account lock (d)	11,952	11,593	11,952	11,593
Meal ticket and transport card capture and processing (e)	7,294	6,142	7,294	6,142
Receivables from mobile payment services (f)	-	-	78,162	59,682
Disputes of credit card charges - chargeback (g)	43,512	21,772	43,512	21,772
Other receivables	4,552	2,392	9,534	6,664
Total	9,179,595	8,314,607	9,641,389	8,638,509

(a) The balance corresponds to prepayment of receivables to merchants relating to card transactions that will be received from the issuing banks within up to 360 days after the date receivables are prepaid to merchants. Additionally, as of December 31, 2014, this amount is net of the adjustment to present value relating to the finance income received in advance on the date of release of cash in the amount of R$292,596 (R$225,507 as of December 31, 2013), as it is related to the prepayment of receivables at sight and installment sales with original maturity after the date of the reporting periods.

(b) Corresponds to the receivables recognized by subsidiary Me-S. These correspond to the receivables from the card association members for processed financial transactions that were authorized but not yet received by Me-S by the end of the reporting periods. These amounts receivable are usually received on the business day following the transaction capture date. The card association sends to Me-S the amounts due to merchants for processing, net of the interchange fee withheld by the card-issuing banks.

(c) Correspond to the interchange fees prepaid by subsidiary Me-S to the merchants during the month. These interchange fees, as well as the commission on the services provided by Me-S, are received at the beginning of the month subsequent to the transaction month.

(d) The Company offers for issuing bank account lock services upon prior approval from merchants to block any transfer of receivables from such merchants to another bank. For these services, the Company receives a commission, which is paid in the month subsequent to the request of the bank account lock by the issuing banks.

(e) Receivables from Companhia Brasileira de Soluções e Serviços - CBSS arising from the provision of transportation and meal tickets card capture and processing services.

(f) Receivables from electronic payment services provided by subsidiaries M4Produtos and Multidisplay through cell phones and sale of phone credits with credit and debit cards.

(g) Refer substantially to receivables from disputes from credit card holders. ("chargeback").

The aging of trade accounts receivable is as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Current	9,136,083	8,292,835	9,597,877	8,616,737
Up to 45 days past-due	43,512	21,772	43,512	21,772
Total	9,179,595	8,314,607	9,641,389	8,638,509

6 Income tax and social contribution

The deferred income tax and social contribution

Deferred income tax and social contribution values arise from temporary differences caused mainly by temporarily non-deductible provisions, and are classified in non-current assets and non-current liabilities.

Deferred income tax and social contribution reflect the tax effects attributable to temporary differences between the tax base of assets and liabilities and the related carrying amount. Reported amounts are monthly reviewed.

a. Breakdown of deferred income tax and social contribution - assets are as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Temporary differences:				
Provision for risks	403,111	342,773	408,715	354,122
Accrual for sundry expenses	236,184	156,745	244,405	160,524
Adjustment to present value of prepayment of receivables	99,483	76,672	99,483	76,672
Allowance for losses on POS equipment	4,131	1,224	4,131	1,224
Effect on the allocation of a subsidiary's acquisition price	-	(1,554)	-	-
Total	742,909	575,860	756,734	592,542

b. Breakdown of deferred income tax - liabilities recognized in foreign companies

	Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**
Temporary differences:		
Fair value of Me-S's intangibles, acquired in 2012	337,263	317,939
Other temporary differences	7,402	7,655
Total	344,665	325,594

Deferred income and social contribution tax assets as of December 31, 2014, as shown in note 6(a), were recognized on temporary differences. According to Management's best estimate, tax credits recognized on the provision for sundry expenses, adjustment to present value of accounts receivable from discount of receivables and allowance for losses on POS equipment, in the amount of R$339,798 (R$348,019 - Consolidated) will be realized during the year 2015. The portion of tax credits on the allowance for risks, in the amount of R$403,111 (R$408,715 - Consolidated), will be realized upon the settlement of each lawsuit, according to proceedings described in note 16.

Current income tax and social contribution

Below is shown the effective rate of income and social contribution taxes for the years ended December 31, 2014 and 2013:

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Profit before income tax and social contribution	4,782,631	4,017,604	4,807,868	4,038,657
Current rates - %	34	34	34	34
Income tax and social contribution at statutory rates	(1,626,095)	(1,365,985)	(1,634,675)	(1,373,143)
Tax benefit of interest on capital	45,424	32,436	45,424	32,436
Impairment of goodwill	-	(10,363)	-	(10,363)
Tax benefit of P&D ("Lei do bem")	10,037	7,139	10,037	7,139
Effect on permanent differences, net	7,850	(7,230)	279	(14,050)
Income tax and social contribution	(1,562,784)	(1,344,003)	(1,578,935)	(1,357,981)
Current	(1,729,834)	(1,482,315)	(1,763,725)	(1,511,941)
Deferred	167,050	138,312	184,790	153,960

Donations for Cultural and Artistic Activities (Rouanet Law), Sports, National Program to Support Health Care of Persons with Disabilities (PRONAS) and the Fund for Children's and Adolescents' Rights are recorded under "Tax Expense income - current". Tax incentives recorded as income tax expense - current, the Company and consolidated, totaled R$29,306 for the year ended December 31, 2014 (R$25,690 for the year ended December 31, 2013).

7 Investments

The primary information about investment amounts and equity income recorded in the financial statements of the Company and Consolidated for subsidiaries, indirect subsidiaries and joint ventures entities are shown in the table below.

	Adjusted equity (shareholders' deficit)		Profit (loss) for the year		Equity interest - %		Equity in investees for the year		Investments	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Subsidiaries:										
Servinet	22,527	22,374	6,153	4,781	99.99	99.99	6,153	4,781	22,527	22,374
Multidisplay	63,452	56,966	18,209	14,109	50.10	50.10	9,122	7,069	31,790	28,540
Braspag	26,825	22,514	4,311	4,271	99.99	99.99	4,311	4,271	26,825	22,514
Cielo USA	829,048	730,365	884	3,367	100.00	100.00	884	3,367	829,048	730,365
Total subsidiaries							20,470	19,488	910,190	803,793
Jointly controlled entities:										
Orizon (a)	157,891	129,064	28,827	8,365	40.95	40.95	11,805	3,425	58,776	46,972
Paggo (b)	181	(1,167)	(652)	(11,028)	50.00	50.00	(326)	(5,514)	91	(584)
Total Jointly controlled entities							11,479	(2,089)	58,867	46,388
Total							31,949	17,399	969,057	850,181

(a) The amount of R$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill, initially reflected in CBGS Ltda. and transferred to the indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into subsidiary Orizon.

(b) The investment recognized by Cielo considers the adjustments to the opening balance sheet of subsidiary Paggo arising from the adoption of the purchase price allocation procedures, as prescribed by CPC 15 – Combinação de Negócios, mainly represented by the provision for losses on software platforms, as described in note 9.

Main financial information referring to indirect subsidiaries and indirect jointly-owned subsidiaries.

	Equity		**Profit (loss) for the year**		**Equity interest - %**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Prevsaúde	13,041	6,863	6,178	3,807	40.95	40.95
Precisa (c)	-	9,339	2,747	(5,817)	-	40.95
Guilher	(30)	163	(193)	(278)	40.95	40.95
M4Produtos	25,444	20,628	16,321	12,479	50.10	50.10
Me-S	349,587	274,906	58,696	58,430	100.00	100.00

(a) On March 20, 2014, Precisa was entirely sold to another economic group.

The consolidation of the financial information of direct subsidiaries Multidisplay, Braspag and indirect subsidiaries M4Produtos and Me-S was based on the financial information for the year ended November 30, 2014 to calculate the investments as of December 31, 2014. Accordingly, the equity in investees refers to the 12-month period ended November 30, 2014.

The Company has investments in foreign cotrolled companies whose financial statements were originally prepared in accordance with the accounting practices accepted in the United States ("U.S. GAAP"). No adjustments are made in the financial statements of foreign controlled companiers, given that there are no significant diferences in relation to Brazilian accounting practices and IFRS.

Changes in investments for the year ended December 31, 2014 and 2013 are as follows:

	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
Balance as of December 31, 2012	738,041	42,977
Capital increase:		
Paggo	5,500	5,500
Exchange differences of foreign transactions	93,250	-
Dividends received:		
Multidisplay	(4,009)	-
Equity in investors	17,399	(2,089)
Balance as of December 31, 2013	850,181	46,388
Capital increase:		
Paggo	1,000	1,000
Exchange differences of foreign transactions	97,800	-
Dividends received:		
Multidisplay	(5,873)	-
Servinet	(6,000)	-
Equity in investors	31,949	11,479
Balances as of December 31, 2014	969,057	58,867

8 Property and equipment

		Company (BR GAAP)			
		12/31/2014			12/31/2013
	Annual depreciation rate - %	**Cost**	**Accumulated depreciation**	**Net**	**Net**
POS equipment (*)	33	1,515,207	(901,442)	613,765	442,132
Data processing equipment	20	122,952	(48,198)	74,754	43,033
Machinery and equipment	10	40,521	(39,423)	1,098	1,039
Facilities	10	17,233	(9,556)	7,677	6,617
Furniture and fixtures	10	7,598	(4,377)	3,221	3,081
Vehicles	20	1,740	(981)	759	1,147
Total		1,705,251	(1,003,977)	701,274	497,049

		Consolidated (IFRS and BR GAAP)			
		12/31/2014			**12/31/2013**
	Annual depreciation rate - %	**Cost**	**Accumulated depreciation**	**Net**	**Net**
POS equipment (*)	33	1,516,020	(902,031)	613,989	442,437
Data processing equipment	20	145,468	(60,170)	85,298	52,330
Machinery and equipment	10	49,962	(46,221)	3,741	2,849
Facilities	10	32,082	(16,518)	15,564	12,425
Furniture and fixtures	10	10,687	(6,214)	4,473	4,140
Vehicles	20	1,839	(989)	850	1,147
Total		1,756,058	(1,032,143)	723,915	515,328

Changes in property and equipment for the year ended December 31, 2014 and 2013 are as follows:

	Company (BR GAAP)				
	12/31/2013	**Additions**	**Write-offs**	**Depreciation**	**12/31/2014**
POS equipment (*)	442,132	499,575	(28,326)	(299,616)	613,765
Data processing equipment	43,033	45,577	-	(13,856)	74,754
Machinery and equipment	1,039	554	-	(495)	1,098
Facilities	6,617	2,037	-	(977)	7,677
Furniture and fixtures	3,081	703	-	(563)	3,221
Vehicles	1,147	192	(253)	(327)	759
Total	**497,049**	**548,638**	**(28,579)**	**(315,834)**	**701,274**
Total in 2013	**486,301**	**326,115**	**(25,440)**	**(289,927)**	**497,049**

	Consolidated (IFRS and BR GAAP)					
	12/31/2013	**Additions**	**Write-offs**	**Depreciation**	**Foreign exchange changes**	**12/31/2014**
POS equipment (*)	442,437	499,584	(28,339)	(299,677)	(16)	613,989
Data processing equipment	52,330	49,554	(24)	(16,082)	(480)	85,298
Machinery and equipment	2,849	2,147	(1)	(970)	(284)	3,741
Facilities	12,425	4,954	(6)	(1,809)	-	15,564
Furniture and fixtures	4,140	1,105	(15)	(756)	(1)	4,473
Vehicles	1,147	290	(253)	(334)	-	850
Total	**515,328**	**557,634**	**(28,638)**	**(319,628)**	**(781)**	**723,915**
Total in 2013	**499,206**	**339,327**	**(29,648)**	**(294,276)**	**719**	**515,328**

(*) As of December 31, 2014 and 2013, provisions for losses on POS equipment were recorded in the amounts of R$3,715 and R$3,599, respectively, as a reduction of the related under line item.

As of December 31, 2014 and 2013 the Company does not have finance lease payables.

As of December 31, 2014 and 2013, the Company entered into loan agreements with the National Bank for Economic and Social Development ("BNDES" - Finame) to acquire new POS equipment, as described in Note 13(a).

9 Goodwill on acquisition of investments

The breakdown of goodwill as of December 31, 2014 and 2013 is as follows:

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Multidisplay:				
Goodwill on acquisition of subsidiary (a)	20,690	20,690	20,690	20,690
Reclassification of the tax benefit from the goodwill merged into Multidisplay (b)	-	-	10,658	10,658
Braspag:				
Goodwill on acquisition of subsidiary (a)	25,966	25,966	25,966	25,966
Reclassification of the tax benefit from the goodwill merged into Braspag (b)	-	-	13,377	13,377
Health project ("Orizon")	10,143	10,143	10,143	10,143
Me-S	-	-	1,041,932	918,891
Total	56,799	56,799	1,122,766	999,725

Changes in goodwill during the year ended December 31, 2014 and 2013 are as follows:

	Company (BR GAAP)	**Consolidated (IFRS and BR GAAP)**
Balance as of December 31, 2012	87,278	936,116
Acquisition adjustments (a)	-	(14,411)
Impairment of goodwill	(30,479)	(30,479)
Foreign exchange variation	-	68,142
Balance as of December 31, 2013	56,799	959,368
Balance as of December 31, 2013	56,799	999,725
Foreign exchange variation	-	123,041
Balance as of December 31, 2014	56,799	1,122,766

(a) Refers to adjustments in the purchase price of the share, as follows:

- In November 2012, the Me-S was assessed by Washington State in relation to differences of interpretation regarding the calculation basis for calculating taxes on income earned in the period 2006-2009. The amount of R$8,189, which was paid by the Me-S and was returned by sellers Cielo USA in January 2013 being the aforementioned amount recorded as a reduction of goodwill.

- In December 2012, the Me-S identified tax credits in the amount of R$ 6,222 in the opening balance sheet dated as of August 31, 2012 by increasing its equity at that date. In the same manner, Cielo USA recorded this amount as a reduction of goodwill, and consequently, an increase in investment at the acquisition date.

- In 2013, MeS revalued deferred income tax liabilities in the amount of R$ 9,938 in the opening balance sheet dated Audust 31, 2012, increasing its equity on that date. In the same mannar, Cielo USA recorded this amount as a reduction of goodwill and therefore an increase in investment on the day of acquisition.

Health project ("Orizon")

In January, 2008, CBGS subscribed 693,480 new common shares without par value in favor of its parent CBGS Ltda., for R$139,045, which represented its fair value as of that date. As part of the payment, CBGS Ltda. delivered all the shares in Polimed Ltda. and Dativa Conectividade em Saúde Ltda. ("Dativa") for R$71,691, transferring the goodwill on the acquisition of these subsidiaries in the amounts of R$47,145 and R$9,108, respectively, net of amortization incurred through the transaction date.

Additionally, as a result of the portion paid in cash, CBGS Ltda. generated goodwill of R$16,764, net of the allowance for losses and amortization incurred through December 31, 2008.

The goodwill generated in CBGS Ltda.'s capital subscription process is as follows:

	Goodwill	Equity interest - %	Net
Goodwill recorded in CBGS Ltda. arising from acquisition of 40.95% interest in CBGS	55,880	99.99	55,880
Allowance for losses on goodwill	(39,116)	99.99	(39,116)
	16,764		16,764
Goodwill recorded in joint venture CBGS:			
Orizon	47,145	40.95	19,306
Dativa	9,108	40.95	3,731
Goodwill initially recorded	73,017		39,801
Effect of tax benefit of goodwill incorporated by Orizon			(13,532)
Initially recorded goodwill			26,269
(-) Allowance for losses on goodwill			(16,126)
Goodwill net of the impairment loss			10,143

Acquisition of control - Multidisplay

In August 2010, the Company acquired, through its direct subsidiary Servrede, 50.1% of the control of Multidisplay and its wholly-owned subsidiary M4Produtos, which collectively form M4U, pioneering Brazilian company in and leader of the technology platform development segment both for loading cell phones and mobile payments. Under CPC 15 – Combinação de Negócios, the goodwill was measured as the amount by which the sum up of: (a) the consideration transferred as payment for the control of the acquire; and (b) the amount of the no controlling interest on the acquire exceeded the net value (on the acquisition date) of the identifiable assets acquired.

The price for the acquisition of 50.1% of the capital of M4U totaled R$50,650.

The amount of the investment recorded by Servrede includes goodwill on acquisition of the subsidiary in the amount of R$31,348, generated as follows:

Net assets acquired	2,300
Fair value of assets acquired (*)	17,002
Fair value of net assets acquired	19,302
(-) Total consideration paid	50,650
Goodwill initially registered	31,348

(*) The fair value of the service agreements, software platform and noncompeting clauses (identifiable assets acquired) of M4U in August 2010 was recognized according to the appraisal report prepared by independent appraisers.

In the corporate reorganization process carried out in 2012, Servrede was merged by Multidisplay, its subsidiary at the time. Tax benefit on goodwill value of R$10,658 was merged by Multidisplay, and remaining goodwill value of R$20,690 was re-established in the Company as provided for in CVM Instructions 319/99 and 349/01.

Acquisition of equity interests - Paggo

In September 2010, the Company, Tele Norte Leste Participações S.A. ("TNL") and Paggo Acquirer Gestão de Meios de Pagamento Ltda. ("Paggo Acquirer", a TNL subsidiary) entered into an Investment Agreement to govern the interests of Paggo Acquirer and the Company (through its subsidiary CieloPar) in a new company called Paggo Soluções e Meios de Pagamento S.A. Accordingly, the Company sought to improve its range of products, aligned with its strategy adopted for the mobile payment sector.

Paggo Acquirer and the Company hold 50% each of the capital of Paggo. On February 28, 2011, the interest in Paggo was acquired for R$47,000, whose amount was fully paid on the acquisition date.

The amount of the investment recorded by Cielo includes goodwill on acquisition of shares in the amount of R$46,979, generated as follows:

Net assets acquired	52,224
Fair value of assets acquired (*)	(52,203)
Fair value of net assets acquired	21
(-) Total consideration paid	47,000
Goodwill initially recorded	46,979

(*) Corresponds basically to the provision for loss of software licenses recognized in jointly-controlled entity Paggo in the balance sheet as of February 28, 2011, date of recognition of the effects of allocation of goodwill on the acquisition of joint control. The adjustments related to the allocation of the purchase price were recognized retrospectively on the amounts recorded upon acquisition, as if the business combination had been concluded on that date.

Acquisition of control - Braspag

In May, 2011, the Company acquired, through its direct subsidiary CieloPar, 100% of the shares of Braspag, a leading payment processing company in the Brazilian electronic payment industry. All the shares of Braspag were acquired for R$40,000.

The amount of the investment recorded by CieloPar included goodwill on acquisition of shares in the amount of R$39,343, generated as follows:

Net assets acquired	1,624
Fair value of net liabilities acquired (*)	(967)
Fair value of net assets acquired	657
(-) Total considered purchase price	40,000
Goodwill initially recognized	39,343

(*) According to the appraisal report used to allocate the purchase price of Braspag, prepared by independent appraisers taking into consideration the characteristics of the acquire, the intangible assets identified were the software platform and the customer portfolio totaling R$4,638, net of the provision for tax and social security contingencies of R$5,605.

In the restructuring process occurred in 2012, CieloPar merged with its former subsidiary Braspag. The tax benefit on the goodwill of R$13,377 was incorporated by Braspag and the remaining amount of goodwill at R$25,966, was reconstituted in the Company as provided in rule CVM 319/99 and 349/01.

Acquisition of control - Me-S

In August 2012, the Company completed the acquisition, through its direct subsidiary Cielo USA, of 100% of the shares of Me-S, a US company headquartered in Redwood City, California.

The financial statements of Me-S have been prepared in accordance with accounting practices adopted in the United States of America (US GAAP) in US dollars. On the acquisition date, there were no material adjustments to align the US GAAP to the accounting practices adopted in Brazil and the IFRSs.

Cielo USA allocated the fair value of Me-S's assets acquired and liabilities assumed based on a purchase price allocation study ("PPA"), prepared by a specialized, independent firm; accordingly, the balance sheet in Brazilian reais as of August 31, 2012, considered as the opening balance sheet, is as follows:

	Book value	**Acquisition adjustments**	**Fair value upon acquisition**
Net assets (liabilities) acquired:			
Cash and cash equivalents	93,500	-	93,500
Other assets (a)	22,194	6,222	28,416
Property and equipment	1,949	-	1,949
Goodwill	67,709	(67,709)	-
Intangible asset (b)	107,734	821,338	929,072
Deferred income tax - liabilities on the fair value of intangible assets (c)	-	(304,254)	(304,254)
Payables to merchants	(87,916)	-	(87,916)
Other liabilities (d)	(25,072)	(8,114)	(33,186)
Total	180,098	447,483	627,581

(a) On acquisition date, tax benefits amounting to R$6,222 was identified and recognized.

(b) Refers to the allocation of the following adjustments at fair value of the following intangible assets: (i) software platform of R$223,300; (ii) relationship with clients of R$512,778; (iii) noncompete agreements with sellers of client portfolios of R$71,862; and (iv) other intangible assets of R$13,398, totaling R$821,338.

(c) For acquisition accounting purposes and in accordance with the US tax law, the fair value of the acquisition of the investments allocated to intangible assets is not deductible for US income tax calculation purposes. Accordingly, a provision for deferred income tax was recognized. These deferred amounts are amortized in profit or loss proportionally to the amortization of intangible assets in the period.

(d) On acquisition date, a provision for probable losses on tax contingencies amounting to R$8,114 was identified and recognized.

The amount of the investment recorded by Cielo USA includes goodwill on acquisition of shares in the amount of R$818,875, generated as follows:

Net assets acquired	180,098
Fair value of assets and liabilities assumed	447,483
Fair value of net assets acquired	627,581
Purchase price:	
Acquisition of control the Me-S	1,365,256
Cash and cash equivalents acquired	81,200
Goodwill initially recognized	818,875

10 Other intangible assets

		Company (BR GAAP)			
		12/31/2014			12/31/2013
	Annual amortization rate - %	**Cost**	**Accumulated amortization**	**Net**	**Net**
Software (a)	20	232,235	(120,062)	112,173	53,080
Project development (b)	20	25,054	(15,032)	10,022	11,476
Relationship with customers (c)	10	953	(636)	317	365
Noncompete agreement (d)	7.5	10,284	(6,124)	4,160	5,546
Service agreements (e)	20	11,994	(11,994)	-	3,598
Total		280,520	(153,848)	126,672	74,065

		Consolidated (IFRS and BR GAAP)			
		12/31/2014			12/31/2013
	Annual amortization rate - %	**Cost**	**Accumulated amortization**	**Net**	**Net**
Software (a)	6.66 - 20	592,984	(190,837)	402,147	319,939
Project development (b)	20	227,908	(149,072)	78,836	70,708
Relationship with customers (c)	4 - 20	672,174	(65,853)	606,321	559,504
Noncompete agreement (d)	7.5 - 50	159,191	(64,435)	94,756	102,078
Service agreements (e)	8 - 20	33,887	(14,860)	19,027	23,568
Trademarks (f)	10	7,702	(1,797)	5,905	5,886
Total		1,693,846	(486,854)	1,206,992	1,081,683

(a) Software - refers to software licenses acquired from third parties and used to provide services relating to information processing and business transactions with customers. Additionally, in 2012, when 100% of Me-S's capital stock was acquired, the adjustment to fair value of the software platform was recognized in Cielo USA in the amount of R$223,300 (equivalent to US$110,000). The independent appraisal firm engaged to issue the appraisal report measured the software platform's fair value using the average of the values obtained from applying the approaches Relief-from-Royalty (at a 16% royalty fee) and Cost Approach - Third-party Cost Estimates. The useful life defined for this software platform is 15 years.

(b) Project development - refers to expenses on the development of new products or services designed to increase the Company's and its subsidiaries' invoicing and revenues.

There are other intangible generated from the allocation of the price paid for the acquisition of control of M4U, Braspag and Me-S, in August 2010, May 2011 and August 2012, respectively. These intangibles were recorded based on appraisal reports prepared as of those dates by independent appraisers. The criteria used to measure the value of these intangible assets are described as follows:

(c) Relationship with customers:

- **Braspag** - The main component of intangible assets is the customers' portfolio, which was evaluated through methodology "Income Approach", considering balance of active customers and respective "churn rate", using estimated useful life of 120 months.

- **Me-S** - Me-S customers' portfolio was classified in three main groups: "e-commerce", "bank customer**"** and "B2B/Other". Each portfolio was evaluated separately using methodology "Excess Earnings", in compliance with their specific and individual characteristics. As discount rate, 10% p.a. was used for "e-commerce" and "bank customer" portfolios, and 11% for "B2B/Other". The estimated useful life of 144 months was based on the years in which each portfolio reaches approximately 80% and 90% of the accumulated amount of the discounted cash flow. An interval between the lowest and the highest value obtained was adopted.

(d) Non-compete agreement:

- **Multidisplay and M4U**- Non-compete agreement value ("with and without") was calculated using the "Income Approach" methodology, with discount rate of 17.5% p.a., perpetuity of 4% p.a. and estimated useful life of 89 months.

- **Me-S** - Me-S entered into a contract with Synovus Financial Corporation, under which no competition shall exist in relation to the portfolio acquired from Columbus Bank and Trust Company ("CB&T") and any new customers acquired through CB&T as a result of the Recommendation Agreement. The fair value of this agreement was estimated using the "With and Without" approach, while its useful life was defined to be the expiration date of the agreement.

Additionally, Cielo USA entered into a noncompete agreement with approximately 10 employees, maturing 18 months after the end of the transaction. The fair value of this agreement was estimated based on the "With and Without" approach, and its useful life was defined to be the expiration date of the agreement.

(e) Service agreements:

- **Multidisplay and M4U** - the four service agreements with telecommunication operators were measured based on the discounted cash flow of each agreement, by using a discount rate of 16.5% per year, during the residual life of each agreement, of approximately 53 months.

- **Me-S** - when Me-S acquired CB&T's customer portfolio, it entered into an agreement under which it would have preference in referring new customers. The fair value of this agreement was estimated based on the "Excess Earnings" approach, and its useful life was defined to be the expiration date of the agreement, that is, 2020.

(f) Trademarks - valued under the "Relief-from-Royalty" approach, assuming a 0.3% royalty fee, based on parameters obtained from the "Royalty Source Intellectual Property Database", and a discount rate of 10%.

Changes in intangible assets for the year ended December 31, 2014 and 2013 are as follows:

	Company (BR GAAP)			
	12/31/2013	**Additions**	**Amortizations**	**12/31/2014**
Software	53,080	79,321	(20,228)	112,173
Project development	11,476	-	(1,454)	10,022
Relationship with customers	365	-	(48)	317
Noncompete agreement	5,546	-	(1,386)	4,160
Service agreements	3,598	-	(3,598)	-
Total	74,065	79,321	(26,714)	126,672
Total in 2013	63,890	30,160	(19,985)	74,065

	Consolidated (IFRS and BR GAAP)					
	12/31/2013	**Additions**	**Write-offs**	**Amortizations**	**Foreign exchange variation**	**12/31/2014**
Software	319,939	97,832	(3,119)	(44,295)	31,790	402,147
Project development	70,708	17,606	(2,265)	(14,888)	7,675	78,836
Relationship with customers	559,504	-	-	(24,812)	71,629	606,321
Noncompete agreement	102,078	-	(122)	(18,370)	11,170	94,756
Service agreements	23,568	199	-	(4,686)	(54)	19,027
Trademarks	5,886	-	-	(682)	701	5,905
Total	1,081,683	115,637	(5,506)	(107,733)	122,911	1,206,992
Total in 2013	1,005,988	45,622	(1,002)	(96,935)	128,010	1,081,683

Expenses on the amortization of intangible assets were recorded in line items "General and administrative expenses" and "Cost of sales" in the statement of income.

11 Prepayment of receivables with card issuers

The Company receives in advance trade receivables amounts from the card issuers for transactions made by cardholders which will be transferred to merchants according to the agreed settlement. These prepayments have a collection average maturity of 9.3 work days and the weighted average rate of financial costs on December 31, 2014 is 102.17% of CDI - Interbank deposit rate (103.37% of the CDI on December 31, 2013).

The amounts due by credit cardholders through the card-issuing banks and the amounts to be transferred to merchants are recorded in memorandum accounts.

On December 31, 2014 and 2013, the Company and Consolidated, the balances of prepayment of receivables with card issuers are R$2,250,035 and R$3,282,460, respectively.

As of December 31, 2014 and 2013, balances corresponding transfers are:

	Company (BR GAAP)and Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**
Payables to merchants	59,169,854	55,727,256
Receivables from issuing banks	(58,239,784)	(54,888,768)
Total	930,070	838,488

In addition to the provision of services consisting of the transfer of credit and debit card transaction amounts between the card-issuing banks and the merchants, the Company also guarantees accredited merchants that they will unconditionally receive the amounts of transactions paid using credit cards. As described in note 28(c), the Company adopts a strategy to mitigate card-issuing banks' credit risk itself against the risk of default by such financial institutions. Based on the insignificant historical amount of Company's losses due to default from card-issuing banks and the current credit risks of these financial institutions, the Company estimates that the fair value of the guarantees provided to merchants is immaterial and, therefore, is not recognized as a liability.

12 Payables to merchants

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Transactions pending transfer (a)	930,070	838,488	930,070	838,488
Payables to merchants (b)	-	-	271,685	192,826
Merchant deposits (c)	-	-	128,421	91,161
Total	930,070	838,488	1,330,176	1,122,475

(a) Transactions pending transfer - Transactions pending transfer correspond to the difference between the amounts received from cardholders relating to transactions made by cardholders and the amounts to be transferred to merchants. In general, the settlement term for credit card issuers with the Company is 28 days, while the Company's average settlement term with merchants is 30 days. Therefore, the balance payable as of December 31, 2014 and 2013 refers to a float of approximately two days.

(b) Payables to merchants - Represented by amounts due to merchants by Me-S related to transactions captured and processed until the balance sheet dates. Such amounts are settled on the day following the date on which transactions are captured.

(c) Merchant deposits - Me-S maintains escrow deposits from clients in order to hedge against the potential risk of complaints from credit card holders due to fraud in the transaction or bankruptcy of merchant.

13 Borrowings and financing

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
FINAME (a)	430,450	449,911	430,450	449,911
Long-term financing - "Ten-year bonds" (b)	1,244,021	1,094,730	2,315,245	2,038,574
Promissory notes (c)	4,594,047	-	4,594,047	-
Total	6,268,518	1,544,641	7,339,742	2,488,485
Current	4,829,609	269,555	4,833,602	273,110
Noncurrent	1,438,909	1,275,086	2,506,140	2,215,375
Total	6,268,518	1,544,641	7,339,742	2,488,485

(a) FINAME

The weighted average rate of the financial charges is 4.98% per year as of December 31, 2014 (5.08% per year as of December 31, 2013).

The Company is the beneficiary of a credit facility with BNDES relating to FINAME on lending transactions, i.e., a loan granted by BNDES to finance the acquisition of new machinery and equipment manufactured in Brazil. Such transfer occurs through the extension of credit to the Company, generating rights received by the accredited financial institution as a financial agent, in this case, which contract with the Company such financing transactions.

The contracts are guaranteed the transfer of fiduciary ownership of property acquired through FINAME.

(b) Long-term financing - Ten-year bonds

In November 2012, the Company and its subsidiary Cielo USA completed a financial transaction whereby bonds were issued in the total amount of US$875 million, out of which US$470 million were issued by the Company and US$405 million were issued by Cielo USA. The amount raised by Cielo USA was used to pay the acquisition of control of Me-S. The proceeds raised by the Company were used to increase its working capital.

The financing obtained is subject to an interest rate of 3.75% per year. Interests are paid on a semiannual basis and principal in November 2022.

Costs directly associated with the issuance of these bonds (banks, auditors and legal fees) were recorded in liabilities and are being allocated to profit or loss over the term of the agreement, based on the amortized cost method.

There are no financial "covenants" in connection with the financial transactions of issuance of "bonds".

(c) Promissory notes

On December 29, 2014, the company issued Promissory Notes with an effective period of up to 180 days from the issuance date. The total amount of the issuance was R$ 4,600,000, comprising 460 Promissory Notes with a par value of R$ 10,000. The Promissory Notes will include compensatory interest based on the cumulative percentage variation of 106.50% of the DI interest - Interbank Deposits - average daily rate for one day, over extra group, expressed as a percentage per year, based on 252 business days, calculated and published by CETIP. The compensation will be paid in full in one single payment on the maturity date.

As a result of this transaction, the Company incurred costs directly related to the issuance process, totaling R$ 10,374, which will be recognized to income statement over the contract period, based on the amortized cost method.

There are no financial covenants in connection with the financial transactions of issuance of promissory notes.

Changes in borrowings and financing for the year ended December 31, 2014 and 2013 are as follows:

	Company (BR GAAP)	**Consolidated (IFRS and BR GAAP)**
Balance as of December 31, 2012	1,290,267	2,114,138
New borrowings	318,836	318,836
Payment of principal	(206,481)	(206,481)
Exchange variation (principal and interest)	140,600	261,307
Accrued interest and charges recognize	64,583	96,821
Interest paid	(63,164)	(96,136)
Balance as of December 31, 2013	1,544,641	2,488,485
New borrowings	4,848,580	4,848,580
Payment of principal	(278,477)	(278,477)
Exchange variation (principal and interest)	149,193	276,598
Accrued interest and charges recognize	65,971	102,587
Interest paid	(61,390)	(98,031)
Balance as of December 31, 2014	6,268,518	7,339,742

Hedge Accounting

The Group assigned the raising of funds from third parties through bond issuance as financial instruments to hedge against risks related to foreign currency, under "hedging of net investments in foreign transactions".

On the date financial funds related to bond issuance were raised, the Company documented the relation between hedging instrument and hedged item demonstrating its objectives and risk management strategies. Additionally, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedge relationship is highly effective in offsetting changes in the fair value.

In order to hedge net investments in foreign transactions, gains or losses related to the effective portion of hedging instrument are recognized in "Comprehensive income" and accumulated under caption "Foreign exchange variation of loan raised abroad". Gains or losses related to non-effective portion, if any, are immediately recognized in income for the year.

Gains and losses from hedging instrument related to effective portion accumulated in foreign currency conversion reserve will be reclassified to income for the period upon disposal of investment abroad.

The Company provides for the need for renewal or contracting of a new operation in the case in which the financial instrument matures prior to the item to be hedged.

Breakdown of loans and financing recorded in noncurrent liabilities

The borrowings and financing classified as noncurrent as of December 31, 2014 by maturity date is broken down as follows:

Year of maturity	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
2015	112,505	112,505
2016	87,128	87,128
2022	1,239,276	2,306,507
Total	1,438,909	2,506,140

14 Taxes payable

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Income tax and social contribution, net of prepayments	371,416	466,818	372,163	471,360
Tax on revenue (Cofins)	21,296	21,389	22,517	22,777
Withholding income tax (IRRF)	20,503	19,090	20,821	20,020
Service tax (ISS)	7,297	8,348	9,255	10,246
Tax on revenue (PIS)	8,071	7,990	8,463	8,418
Other taxes payable	7,858	4,379	9,329	5,663
Total	436,441	528,014	442,548	538,484

15 Other payables

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Current liabilities:				
Accrual for sundry expenses	67,613	64,781	67,669	65,030
Accrued vacation and related charges	21,814	18,498	31,881	26,369
Profit-sharing	68,174	54,851	91,900	69,991
Other payables	-	-	43,613	35,367
Total	157,601	138,130	235,063	196,757
Noncurrent liabilities:				
Other payables	5,767	3,991	13,292	9,749
Total	163,368	142,121	248,355	206,506

16 Provision for risks and escrow deposits

a. Provision for risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before courts and governmental bodies, arising in the normal course of business and involving tax, labor, civil and other matters.

Management, based on information and assessments made by its legal counsel, through the review of pending civil and labor lawsuits and past experience on the amounts claimed in labor, civil and tax lawsuits, has recognized a provision in an amount considered sufficient to cover probable losses on pending proceedings, as follows:

	Company (BR GAAP)					
	12/31/2013	**Additions (i)**	**Write-offs/ reversals (ii)**	**Inflation adjustment**	**Payments (iii)**	**12/31/2014**
Tax	939,601	164,813	(453)	1,171	(116)	1,105,016
Civil	18,236	17,622	(11,556)	1,731	(7,839)	18,194
Labor	71,066	27,898	(10,405)	729	(7,071)	82,217
Total	**1,028,903**	**210,333**	**(22,414)**	**3,631**	**(15,026)**	**1,205,427**
Total for the year ended December 31, 2013	**819,121**	**229,409**	**(15,324)**	**2,872**	**(7,175)**	**1,028,903**

	Consolidated (IFRS and BR GAAP)					
	12/31/2013	**Additions (i)**	**Write-offs/ reversals (ii)**	**Inflation adjustment**	**Payments (iii)**	**12/31/2014**
Tax	960,226	165,474	(771)	1,173	(21,086)	1,105,016
Civil	19,945	17,622	(11,557)	1,731	(7,839)	19,902
Labor	83,853	40,820	(17,738)	755	(8,975)	98,715
Total	**1,064,024**	**223,916**	**(30,066)**	**3,659**	**(37,900)**	**1,223,633**
Total for the year ended December 31, 2013	**853,026**	**235,515**	**(17,226)**	**2,932**	**(10,223)**	**1,064,024**

(i) Correspond mainly to the increase in the provision for tax risks for the year ended December 31, 2014 and 2013, relating to taxes with suspended payment, recorded as a balancing item to "Taxes on services" and "Other operating expenses, net", and other additions to the provision for civil and labor risks, represented by new lawsuits and changes in the assessment of the likelihood of losses made by the legal counsel, which were recorded as a balancing item to "Other operating expenses, net", in the income.

(ii) Basically represented by the reversal of the provision for civil and labor risks due to prescription of the allowed time to start legal proceedings, settlement of lawsuits or change in the risk of loss as assessed by the Company's and its subsidiaries' legal counsel.

(iii) In the year ended December 31, 2014, the Company and its subsidiaries, through legal agreements or unfavorable decisions, settled 1,602 civil and labor lawsuits in the total amount of R$14,910 and R$16,814 in the Company and Consolidated, respectively.

Additionally, the Company and its subsidiaries joined the Payment of 4 tax lawsuits whose payment totaled R$116 and R$21,086, respectively, of which R$20,970 by converting court escrow deposit into Federal government's income from adhesion to the Scheme for the Installment Payment of Federal Tax Debts (Refis), established by Law 11941/09 and its amendments.

Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were not transferred to merchants in view of noncompliance with clauses of the affiliation contract, and compensation for losses caused by transactions not transferred at that time. As of December 31, 2014, the provision for probable losses on civil lawsuits totals R$18,194 (Company), and R$19,902 (Consolidated), and the escrow deposit balance is R$5,213 (Company) and R$5,231 (Consolidated).

Additionally, as of December 31, 2014, the Company is a party to public civil lawsuits, most of them filed by the Public Prosecution Office or professional organizations, whose intention is to defend collective interests, (such as consumers' rights and labor rights). Judicial decisions may grant rights to groups of people (even without their consent). In many situations, the group in availing a favorable outcome will only be defined after the final decision.

Labor lawsuits

Refers to labor lawsuits that, as of December 31, 2014, include 275 claims against Cielo and 68 against the subsidiaries, totaling 343 claims. Out of which 131 had been filed by former employees, and the other remaining 212 claims were filed by subcontractors, some of whom claiming the recognition of an employment relationship.

The risk of loss on labor claims, when these are started, is assessed as possible. Only after the court decision is issued, the lawsuits are reclassified to probable or remote loss, depending on the decision and based on the history of losses on similar lawsuits. In general, labor lawsuits are related to salary equalization, overtime and effects of annual bonus, rights guaranteed by agreements between the employer and the labor union, recognition of employment relationship, stability deriving from occupational disease and moral damage.

As of December 31, 2014, the provision for probable losses on labor claims amounts to R$82,217 (Company) and R$98,716 (consolidated), and the escrow deposit balance is R$20,452 (Company) and R$22,854 (consolidated).

Tax lawsuits

Refer to differences in interpretation by tax authorities, especially regarding:

- Noncumulative Cofins - in February 2004, the Company filed an injunction to avoid payment of Cofins according to Law 10833/03, which requires the noncumulative calculation at the rate of 7.6%, and began to make escrow deposits for amounts determined monthly. As a result, the difference between the Cofins due calculated based on the rate established by the cumulative and noncumulative calculation method is being recorded as provision for risks since then. Escrow deposits have been made for unpaid Cofins amounts. Cielo's lawsuit is halted in the Federal Regional Court of the 3rd Region/SP due to the recognition of the matter by the Federal Supreme Court in the court records of the Extraordinary Appeal, which is pending judgment. As of December 31, 2014, the provision for risks totals R$1,067,051, and the escrow deposit balance is R$1,051,490 (Company and Consolidated).

- Amazon Investment Fund (FINAM) - in 2007, the Company received a tax assessment notice for calendar year 2002, fiscal year 2003. The Federal Revenue Service alleges that the Request for Review of Tax Incentive Issue Order ("PERC") was not filed within the statutory deadline and, therefore, they do not recognize the portion of corporate income tax (IRPJ) related to FINAM. The administrative proceedings are pending inclusion in the trial docket for judgment of the voluntary appeal filed by the Company by the Administrative Board of Tax Appeals ("CARF"). As of December 31, 2014, the balance of the provision recognized is R$14,965 (Company and Consolidated).

- Social contribution (CSLL) 2002 - in 2007, a tax assessment notice was filed against the Company to require the payment of CSLL (adjustment portion) for calendar year 2002, plus tax assessment fine (75%) and late payment interest, as well as separate fine (50%) on the estimated CSLL amounts not paid. Due to the maintenance of the tax assessment notice at the administrative level, in July 2011, the Company decided to challenge the amounts in the court. The tax credits were fully deposited in escrow accounts and is being challenged in the court through an annulment action filed in August 2011. Currently, the Company is awaiting the sentence aiming to cancel the tax assessment notice. As of December 31, 2014, the balance of the provision recognized is R$10,895 (Company and Consolidated), and the escrow deposit amount is R$10,895 (Company and Consolidated).

- Negative Balance of IRPJ of the year 2008 - In 2009, the Company offset the negative balance of income (IRPJ) for calendar year 2008 for tax debts owed in 2009 upon presentation of Settlement Statement (PER/DCOMP). In assessing the Settlement Statement in 2012, the Internal Revenue Service of Brazil did not approve the tax credit and, therefore, issued Order No. 022405395. In January 2013, the Company filed a Lawsuit for Annulment of Tax Debt in the Civil Court of the Judiciary Subsection of Osasco / SP, in order to demonstrate and prove the negative credit balance of the 2008 calendar year. The full amount of the tax credit is deposited in escrow. As of December 31, 2014, the accrued balance for risks is R$7,045 and the value of the escrow deposit is R$7,045, for the Company and Consolidated.

The Company and its subsidiaries are challenging other interpretations of the law by tax authorities and, therefore, as of December 31, 2014, recognized provisions for risks in the amounts of R$5,060 (Company and Consolidated).

To cover other lawsuits assessed by the legal counsel as possible loss, the Company and its subsidiaries maintains escrow deposits in the amount of R$7,942 (Company) and R$10,960 (Consolidated).

The Company's and its subsidiaries' Management, based on the opinion of their legal counsel, believes that the actual disbursement of the provision for risks will not occur before December 31, 2018.

Additionally, as of December 31, 2014 and 2013, the Company and its subsidiaries are parties to tax, civil and labor lawsuits assessed by their legal counsel as possible likelihood of losses, for which no provision was recorded, as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Tax	99,341	86,788	106,537	92,222
Civil	88,209	57,992	88,209	57,993
Labor	60,396	41,643	76,861	51,463
Total	247,946	186,423	271,607	201,678

Escrow deposits

In the year ended December 31, 2014 and 2013, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows:

	Company (BR GAAP)			
	12/31/2013	**Addition**	**Write-offs**	**12/31/2014**
Tax	913,789	163,583	-	1,077,372
Civil and labor	11,516	15,227	(1,078)	25,665
Total	925,305	178,810	(1,078)	1,103,037
Total for the year ended December 31, 2013	745,620	187,190	(7,505)	925,305

	Consolidated (IFRS and BR GAAP)			
	12/31/2013	**Addition**	**Write-offs**	**12/31/2014**
Tax	937,726	163,634	(20,970)	1,080,390
Civil and labor	13,683	15,503	(1,101)	28,085
Total	951,409	179,137	(22,071)	1,108,475
Total for the year ended December 31, 2013	771,392	187,730	(7,713)	951,409

17 Equity

a. Social Capital

Capital as of December 31, 2014 is represented by 1,572,230,938 shares (786,115,469 shares as of December 31, 2013), fully subscribed and paid in.

According to the minutes of the Annual and Extraordinary Shareholders' Meeting held on March 31, 2014, it was approved the Company's capital increase in the amount of R$1,000,000 (one billion of Reais). For realization of the capital increase was partly used the balance from the budget reserve capital.

As commented in note 18(a), the number of shares outstanding as of December 31, 2014 is 1,566,433,971 (785,408,414 shares as of December 31, 2013).

Share capital can be increased by up to 2,400,000,000 additional common shares, regardless of any amendments to bylaws, at the discretion of the Board of Directors, which has the power to establish the share issue price, the terms and conditions for subscription and payment of shares up to the authorized capital limit. Except in the cases described below, shareholders will have the preemptive right to subscribe for shares issued in a capital increase, which shall be exercised until 30 days as from the publication of the minutes of the Board of Directors' meeting that approved the capital increase. Within the authorized capital limit, the Company may grant stock option or subscription to Management members and employees and individuals providing services to the Company, as well as managers and employees of other companies that are directly or indirectly controlled by the Company, without preemptive right to shareholders. The Board of Directors may exclude the preemptive right or reduce the term for exercising such right in the issuance of shares, debentures convertible into shares or subscription bonus whose placement shall be made upon trade in stock exchanges, public subscription or upon exchange for shares, within the authorized capital limit. The Board of Directors may also resolve on any shares that remained unsubscribed in the capital increase during the term for exercising the preemptive right and establish, prior to their sale on stock exchanges to the benefit of the Company, the apportionment, proportional to the amounts subscribed, among the shareholders that have indicated, in the subscription bulletin or list, interest in subscribing possible remaining shares.

b. Capital reserve

Represents share-based payment costs and goodwill on the subscription of shares related to capital contributions by shareholders exceeding the amount allocated to capital formation.

The capital reserve is R$75,854, as of December 31, 2014 (R$99,637 as of December 31, 2013).

c. Treasury shares

On December 11, 2013, the Company's Board of Directors, pursuant to article 19 of its bylaws, article 30 of Law 6404/76, CVM Instruction 10/80, as amended, and CVM Instruction 358/02 and its subsequent amendments, approved the acquisition of up to 4,400,000 (four million and four hundred thousand) common shares, without par value, issued by the Company itself, for cancellation, disposal of or maintenance in Treasury and particularly to allow the exercise of the option granted under the Company's Share Option Plan, with no reduction in share capital, within 365 days from the disclosure of the significant event of the offering.
Moreover, these acquisitions of shares issued by the Company itself are limited to the balance available under the "Capital reserve" caption calculated during the fiscal year, in compliance with articles 1º and 12 of Instruction 10/80.

The Company's Management is responsible for deciding when and what number of shares to buy, within authorized limits.

Changes in treasury shares are stated as follows:

	Company (BR GAAP) and Consolidated (IFRS and BR GAAP)		
	Shares	**Amount**	**Average cost - R$ per share**
Balance on December 31, 2013	707,055	(37,055)	52.41
Sale in January 2014	(2,024)	107	52.41
Buy-back in January 2014	1,165,300	(75,990)	60.38
Sale in February 2014	(5,427)	328	60.38
Buy-back in February 2014	1,285,000	(82,806)	62.04
Sale in March 2014	(149,987)	9,357	62.04
Buy-back in March 2014	164,700	(11,052)	62.29
Balance on treasury shares before the bonus	3,164,617	(197,111)	62.29
Increase of treasury shares due to the bonus (*)	3,164,617	-	-
Sale in April 2014 before buy-back	(20,929)	652	31.14
Buy-back in April 2014	94,734	(3,414)	31.22
Sale in April 2014 after buy-back	(7,426)	232	31.22
Sale in May 2014	(8,676)	271	31.22
Sale in June 2014	(38,892)	1,214	31.22
Sale in July 2014	(272,996)	8,522	31.22
Buy-back in July 2014	227,000	(9,986)	31.68
Sale in July 2014	(5,807)	184	31.68
Buy-back in July 2014	460,000	(20,381)	32.54
Sale in July 2014	(11,751)	382	32.54
Buy-back in July 2014	333,000	(14,929)	33.11
Sale in July 2014	(1,430)	47	33.11
Buy-back in July 2014	250,000	(11,163)	33.51
Sale in July 2014	(928,068)	31,097	33.51
Sale in August 2014	(320,989)	10,756	33.51
Sale in September 2014	(105,051)	3,520	33.51
Sale in October 2014	(14,632)	490	33.51
Sale in November 2014	(172,223)	5,771	33.51
Sale in December 2014	(9,921)	332	33.51
Buy-back in December 2014	27,626	(1,159)	33.55
Sale in December 2014	(5,836)	195	33.55
Balance as of December 31, 2014	5,796,967	(194,478)	33.55

(*) Bonus: new ordinary shares were issued, attributing to shareholders, free of charge, as a bonus one new common share for each one share they held, generating the total effect of 3,164,617 new shares.

The shares bought back will be held in treasury to be later disposed of, cancelled or used in the exercise of stock options granted to the Company's officers and employees.

d. Comprehensive income

Represent cumulative translation adjustments for translation into the foreign currency of the foreign investments and gains or losses on instruments designed to hedge foreign investments, net of taxes.

The balances below have accumulated adjustments up to the balance sheet dates, as follows:

	Company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**
Exchange rate on investments abroad	198,046	100,209
Result on hedging instruments ("bonds") on foreign operations, net of tax	(181,432)	(84,116)
Result on hedging instruments ("NDF") on foreign operations, net of tax	(10,645)	(10,645)
Total	5,969	5,448

e. Earnings reserve - legal

Recognized with amounts corresponding to 5% of net profit for the year, pursuant to article 193 of Law 6404/76, up to the limit of 20% of capital. The legal reserve balance is R$360,992 as of December 31, 2014 (R$200,000 as of December 31, 2013).

f. Earnings reserve - capital budget

As of December 31, 2013, an earnings reserve of R$772,081 was recognized through retention of a portion of net income for 2013 pursuant to the terms of Article 196 of Law no. 6404/76 and Article 5, single paragraph, of CVM Instruction no. 469, of May 2, 2008. In addition, earnings reserve was supplemented with income from change in accounting policy referring to recognition of income from sales commission of R$127,054 comprised of R$ 115,503 recorded in the opening balance sheet dated December 31, 2011 and R$ 11,551 recorded in income for the year 2012.

The withholding referring to 2013, as well as the effect on the change in the accounting practice, of R$899,135, is grounded in the capital budget prepared by Management and approved by the Board of Directors on January 28, 2014, and was submitted to shareholders for approval at the Shareholders' Meeting on March 31, 2014. The proposed capital budget is justified by the need to invest in working capital to boost transactions with receivables ("ARV").

The capital budget reserve balance as of December 31, 2014 is R$2,060,773 (R$1,551,385 as of December 31, 2013).

g. Dividends and interest on capital

Under Company's by laws, shareholders are entitled to a minimum dividend of 50% of profit after the recognition of the legal reserve of 5% of net profit for the year until the reserve equals 20% of the capital. The allocation of the remaining balance of profit for the year is decided at the Shareholders' Meeting. At year-end, the Company accrues the minimum dividends not paid during the year up to the limit of the previously mentioned minimum mandatory dividend. Under by laws, the Company may prepare semiannual or shorter balance sheets and, based on them, in accordance with the limits provided for applicable law, the Board of Directors may approve the distribution of dividends against profit. The Board of Directors may also declare intermediary dividends against existing profit based on the last balance sheet approved by the shareholders.

The Board of Directors' meeting held on January 28, 2014 decided on payment of supplemental dividends and interest on capital, based on the financial statements as of December 31, 2013, at the amounts of R$914,820. These dividends were paid to shareholders on March 31, 2014.

According to the minutes of the Board of Directors' meeting held on August 28, 2014, the distribution of 70% of profit for the semester ended June 30, 2014 was approved, in the amount of R$ 1,063,646, of which R$ 996,846 as dividends and R$ 66,800 as interest on own capital. Such amounts were paid to shareholders on September 30, 2014.

In addition, on January 28, 2015, the Board of Directors approved, subject to agreement by the General Stockholders' Meeting to be held on March 27, 2015, the proposal for payment of dividends and interest on capital, totaling R$702,880 and R$66,800, respectively, referring to the profit accrued in the second half of 2014, which, together with the dividends and interest on capital of R$1,063,646 paid in September 2014, correspond to a distribution of 59.9% of the net profit accrued in 2014.

Dividends were calculated as shown below:

	Company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**
Net income for the year	3,219,847	2,673,601
Profit reserve - legal reserve	(160,992)	(100,000)
Calculation base for the minimum dividends	3,058,855	2,573,601
Interim dividends paid	996,846	791,300
Interest on own capital paid	66,800	49,400
Dividends provisioned	419,021	414,410
Interest on own capital provisioned	66,800	46,000
IRRF on interest on own capital	(20,040)	(14,309)
Annual minimum compulsory dividend - 50%	1,529,427	1,286,801
Exceeding minimum mandatory dividend	283,859	500,410

18 Earnings per share

a. Change in the number of common shares

Shares issued	Common
Shares as of December 31, 2013	785,408,414
Exercise of stock options:	
January 2014	2,024
February 2014	5,427
March 2014	149,987
Treasury shares buyback - January 2014	(1,165,300)
Treasury shares buyback - February 2014	(1,285,000)
Treasury shares buyback - March 2014	(164,700)
Effect of bonus shares	782,950,852
Treasury shares buyback - April 2014	(94,734)
April 2014	28,355
May 2014	8,676
June 2014	38,892
July 2014	1,220,052
Treasury shares buyback - July 2014	(1,270,000)
August 2014	320,989
September 2014	105,051
October 2014	14,632
November 2014	172,223
December 2014	15,757
Treasury shares buyback - December 2014	(27,626)
Total	1,566,433,971

Earnings per share

In compliance with CPC 41 – Resultado por ação, the following tables reconcile the profit and weighted average of outstanding shares with the amounts used to calculate the basic and diluted earnings per share.

On March 31, 2014, there was an increase in the capital stock by R$1,000,000 through the capitalization of reserves of the capital budget, which was attributed to shareholders, free of charge, as a bonus, one new common share for each one common share they hold at the close of day March 31, 2014. These events were retrospectively considered in the calculation of basic and diluted earnings, as if they had occurred at the beginning of the earliest year presented as follows:

Basic earnings per share

	Company (BR GAAP) e Consolidated (IFRS and BR GAAP)	
	12/31/2014	12/31/2013
Profit at the year-end available to common shares	3,219,847	2,673,601
Weighted average number of outstanding common shares (in thousands)	1,370,587	1,524,474
Earnings per share (in R$) - basic	2.34925	1.75379

Diluted earnings per share

	Company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**
Profit at the year-end available to common shares	3,219,847	2,673,601
Diluted denominator:		
Weighted average number of outstanding common shares (in thousands)	1,370,587	1,524,474
Potential increase in common shares as a result of the stock option plan	5,795	3,185
Total (in thousands)	1,376,382	1,527,659
Earnings per share (in R$) - diluted	2.33936	1.75013

19 Stock option plan

The Extraordinary Shareholders' Meeting held on June 1, 2009 ratified the approval of the Company's stock option plan, which is effective for ten years counted from the date of first grant to beneficiaries.

Stock options may be granted provided that capital dilution does not exceed, at any time during the effectiveness of the plan, 0.3% per year. The Company's Board of Directors will define the beneficiaries eligible for the stock option plan annually or at the frequency considered appropriate.

At meetings held on July 6, 2010, July 22, 2011, July 23, 2012, July 19, 2013 and June 25,2014 the Board of Directors approved the third, fourth, fifth, sixth and seven grants of options for the purchase of common and/or restricted shares, respectively, as shown in the table below, without any option for the settlement of options in cash.

In 2010 and 2009 (first, second and third grants), the beneficiaries under the Stock Option Plan and Vesting Agreement may exercise the first portion of the stock options granted, equivalent to 1/3 of total, after one year.

The Extraordinary Shareholders' Meeting held in April 2011 approved the changes in the fourth and fifth grants and the following changes to the plan: possibility of eligible employees choosing a stock option plan, a restricted stock plan or a combination of both; exercise of 50% of the options and/or restricted shares after two years and 50% after three years.

In the Board of Directors' meeting held on February 29, 2012 approved the Company's Management retention plan under the Restrict Shares program, limited to the amount of R$5,800. The purpose of this program is to minimize the risks for the Company's business arising from the loss of Management members and enhance the commitment of such members to long-term results. The Management retention program is effective for two years and the shares granted will be transferred to the executives who remain in the Company at the end of the program.

In a meeting of the Board of Directors held on January 28, 2014, the Company emphasized the need of strengthening Cielo's capacity to form and retain the best team of executives in the industry, and decided to approve a new stock option plan called Sócio Cielo 2014 - "Restrict shares" in march 2014

Grant date	Number of shares Granted	Cancelled	Exercised	Bonus 2012	Bonus 2013	Bonus 2014	Balance	Exercise price (R$ per share)	Fair Value of Options (R$ per share
July 2010	1,073,680	(285,628)	(1,050,713)	163,314	71,403	50,948	23,004	13.89	4.54
July 2011	1,315,854	(229,872)	(1,933,415)	262,413	273,433	836,145	524,558	10.85	4.33
July 2012	987,487	(132,455)	(665,931)	-	189,146	1,040,526	1,418,773	18.53	7.62
July 2013	1,049,141	(84,702)	(32,176)	-	-	990,085	1,922,348	21.63	10.08
July 2014	1,561,552	-	(15,126)	-	-	-	1,546,426	32.61	15.03
February 2013 ("Restrict shares")	70,819	(2,087)	(17,928)	-	14,149	84,892	149,845	-	21.86
March 2014 ("Restrict shares")	105,000	-	-	-	-	105,000	210,000	-	29.21
Total	6,163,533	(734,744)	(3,715,289)	425,727	548,131	3,107,596	5,794,954		

For the fair value of the options, from 2011, was measured using the binomial pricing model. In the previous years, the Company used the Black & Scholes methodology, based on the following economic assumptions:

	Grating date July 2010	July 2011	July 2012	February 2013	July 2013	March 2014	July 2014
"Dividend yield"	5.73%	8.87%	5.36%	3.61%	3.71%	3.54%	3.31%
Share price volatility	37.51%	38.27%	31.65%	26.97%	30.06%	25.04%	23.15%
Vesting period	5 years	6 years	6 years	2 years	6 years	2 years	6 years

The fair value is allocated to the profit or loss for the period and a contra-entry to the capital reserve using the straight-line method is allocated over the periods of up to 24 and 36 months.

A provision of R$23,037 net of charges was recognized for the year ended December 31, 2014 (R$18,045 as of December 31, 2013), contra-entry of which is the account "Personnel expenses".

These amount correspond to the portion of Statutory Directors the amount of R$9,507 net of charges (R$7,913 as of December 31, 2013).

Were exercised 2,082,065 shares in amount of R$46,820 for the year ended December 31, 2014 (1,386,290 shares amounting to R$18,359 for the year ended December 31, 2013), and the total stock options granted which was recorded, as of December 31, 2014, in the account "Capital Reserve" in equity R$7,248 (amounted R$31,031 the stock options granted as of December 31, 2013).

20 Net revenue

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Gross operating revenue	7,146,616	6,357,492	8,494,167	7,416,883
Tax on services	(716,177)	(644,975)	(768,589)	(682,643)
Total	6,430,439	5,712,517	7,725,578	6,734,240

Gross operating revenue is comprised of commissions charged to merchants, rental of POS equipment and services rendered for the use of network, as well as other services related to electronic payment means.

21 Expenses by nature

The Company elected to present the consolidated statement of income by function.

The breakdown of costs of services and net operating expenses by nature is as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Personnel expenses	359,004	276,503	540,434	404,027
Depreciation and amortization	342,547	309,912	427,360	391,211
Professional services	389,427	319,295	352,791	281,446
Acquiring costs (a)	1,661,981	1,408,043	2,387,444	2,009,751
Sales and marketing (b)	274,203	236,413	287,571	255,954
Costs of mobile phone credits in subsidiaries (c)	-	-	183,680	114,711
Others	84,058	47,520	146,274	91,040
Total	3,111,220	2,597,686	4,325,554	3,548,140
Classified as:				
Cost of services provided	2,027,685	1,734,466	3,050,620	2,549,652
Personnel expenses	224,745	169,025	371,065	267,289
General and administrative expenses	361,791	279,526	383,404	289,661
Sales and marketing	274,203	236,413	287,571	255,954
Other operating expenses, net	222,796	178,256	232,894	185,584
Total	3,111,220	2,597,686	4,325,554	3,548,140

(a) Acquiring costs are mainly represented by expenses on logistics and maintenance of POS equipment, supplies to merchants, customer registration and service, telecommunication services, and capture and processing of transactions.

(b) Marketing and sales expenses include campaigns for trademark development, marketing and advertising, internal marketing and sales incentives to partners and issuing banks.

(c) Correspond to the cost of the product sold related to the credit minutes for cell phones sold by the subsidiary Multidisplay.

22 Other operating expenses, net

Represented by:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Allowance for doubtful accounts and chargebacks	(131,807)	(72,453)	(131,807)	(72,453)
Provision for risks, net	(23,910)	(42,873)	(29,172)	(48,383)
Impairment of goodwill	-	(30,479)	-	(30,479)
Allowance for losses on inactive	(28,579)	(25,729)	(28,638)	(29,369)
Expenses with strategic project (*)	(37,238)	-	(37,238)	-
Others	(1,262)	(6,722)	(6,039)	(4,900)
Total	(222,796)	(178,256)	(232,894)	(185,584)

(*) Expenses with lawyers and consultants related to the strategic project of creating a "joint venture" with the Bank of Brazil S.A., as mentioned in the note "1. New corporate business."

23 Commitments

The Company is engaged in the capture, transmission, processing and settlement of transactions with credit and debit cards. In order to conduct said activities, and for subsidiaries to carry out their activities, the Group entered into the following agreements:

a. Lease agreements

As of December 31, 2014, future annual payments under lease agreements in effect are estimated as follows:

Year	
2015	13,705
2016	14,469
2017	15,231
Total	43,405

Most contracts specify a termination fine equivalent to three-month rent, and a partial return can be negotiated for each case.

b. Telecommunications, POS equipment, technology and logistics services

As of December 31, 2014, future payments under telecommunications, POS equipment, and technology and logistics service agreements in effect are estimated as follows:

Year	
2015	798,909
2016	843,408
2017	887,856
Total	2,530,173

Transactions capture and processing agreements stipulate termination fines totaling R$436. Logistics service agreements are in effect since June 2007, with a minimum period of 12 months and a termination fine of R$7,264. Telecomunication agreements have no termination fines.

24 Employee benefits

a. Pension plan

The Company and subsidiary Servinet contributes monthly to a defined contribution pension plan ("PGBL") for its employees, and contributions made during the year ended December 31, 2014, amounted to R$9,004 (R$7,222 as of December 31, 2013), recorded under line items "Cost of services" and "Personnel expenses".

Others benefits

Besides the benefit of pension plan the company and its subsidiaries offer their employees, health insurance, dental care, life insurance and personal accident and professional training, the amount of these expenses totaled R$38,664 in the year ended December 31, 2014 (R$24,839 as of December 31, 2013).

The Company has a Corporate Education Program which aims to leverage learning, ensuring the mapping and the dissemination of key knowledge through practical and educational activities that encourage the creation, acquisition, dissemination, use and sharing of knowledge, focusing for business results, in addition, the Company, there is development of actions for all employees, for example, leadership development, e-learning, contract training, on-demand training, continuing education and languages, the related cost actions described are recognized in income when incurred.

25 Profit-sharing

The Company and its subsidiaries pay profit-sharing to their employees and officers, subject to the achievement of operational goals and specific objectives established and approved at the beginning of each fiscal year.

The values of participation of employees and managers in profit for the years ended December 31, 2014 and 2013 were recorded under "Personnel expenses" in the statement of income and are presented as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Officers	53,503	41,092	72,511	55,377
Board of Directors	14,670	13,759	15,577	14,614
Total	68,173	54,851	88,088	69,991

26 Management compensation

Key Management personnel includes the members of the Board of Directors and the officers. Expenses recorded in income for the year ended December 31, 2014 and 2013 are as follows:

	12/31/2014			12/31/2013		
	Fixed	**Variable (*)**	**Total**	**Fixed**	**Variable (*)**	**Total**
Officers	6,429	12,705	19,134	5,748	11,054	16,802
Board of Directors	1,559	-	1,559	1,458	-	1,458
Total	7,988	12,705	20,693	7,206	11,054	18,260

(*) Not including the stock option plan (see note 19).

Management's (Executive Committee and Board of Directors) overall compensation in 2014, set by the Annual and Extraordinary Shareholders' Meeting held on March 31, 2014, was R$44,995, plus related taxes and contributions thereon, as prescribed by the prevailing laws.

For the Fiscal Council, annual compensation approved for the year ended in December 31, 2014 was R$460 (R$309 for 2013).

27 Financial income (Expenses)

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Finance revenue:				
Interest on short-term investments	15,864	18,194	19,015	19,782
Other finance revenue	562	210	745	291
Total	16,426	18,404	19,760	20,073
Financial expenses:				
Late payment interest and fines	(73)	(99)	(748)	(121)
Late payment interest and risk fines	(3,573)	(3,837)	(3,601)	(2,638)
IRRF on interest abroad	(7,683)	(8,016)	(7,681)	(8,016)
Interest on borrowings	(65,971)	(64,583)	(102,587)	(96,821)
Restatement on the balance due to the acquisition of 50.1% equity Multidisplay	-	(1,102)	-	(1,102)
Others financial expenses	(16,377)	(8,685)	(17,522)	(10,028)
Total	(93,677)	(86,322)	(132,139)	(118,726)
Prepayment of receivables:				
Revenue from prepayment of receivables (a)	1,830,270	1,201,612	1,830,270	1,201,612
Present value adjustment expenses (b)	(67,089)	(93,888)	(67,089)	(93,888)
Prepayment flow receivables with issuers (c)	(254,630)	(154,682)	(254,630)	(154,682)
Total	1,508,551	953,042	1,508,551	953,042
Exchange rate changes, net (d)	163	250	193	257
Total	1,431,463	885,374	1,396,365	854,646

(a) Revenue from the prepayment of receivables for the year ended December 31, 2014 and 2013 comprises income from the transaction volume for year end.

(b) As described in note 5(a), the fair value adjustment recorded in the consolidated financial statements information was calculated on the prepayment receivables. The assumptions adopted for the calculation are as follows:

- Interest rates use were the same contractors on prepayment of receivables from customers;
- Calculations were carried out separately, discounting cash flows for each recorded receivable,
- The Company's Management recognized the fair value adjustment of accounts receivable balance in view of the materiality of values adjusted, of interest rates and transaction terms.

Monthly, Management reviews the assumptions mentioned and the changes are recorded in profit or loss for the period.

(c) Financial burden of raising capital with third parties for promotion of prepayment of receivables operations ("ARV"), see Note 11. Financial expenses arising from the anticipation of the flow of receivables with card issuers were reclassified between headings of the Financial Results for better presentation of the net impact of prepayment of receivables operations ("ARV") in the financial statements.

(d) It follows basically the amount received in U.S. dollars. Visa International Service Association and MasterCard Worldwide relating to transactions with foreign cards, credit and debit cards, and gains and losses originally denominated in foreign currency, represented by:

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Exchange rate changes, net:				
Revenue	1,691	1,366	1,731	1,392
Expenses	(1,528)	(1,116)	(1,538)	(1,135)
Total	163	250	193	257

28 Financial instruments

The estimated fair values of the Group's financial assets and financial liabilities were determined using available market inputs and appropriate valuation methodologies. However, considerable judgment was required to interpret market input and then develop the most appropriate fair value estimates. Accordingly, estimates presented herein are not necessarily indicative of the amounts that could be realized in the market. The use of different market methodologies may have a significant effect on the estimated realizable values.

These financial instruments are managed through operating strategies which aim at obtaining liquidity, profitability, and security. The control policy consists of permanent monitoring of the contracted rates compared to market rates. The Group does not make investments for speculative purposes, either in derivatives or any other risk assets.

a. Capital risk management

The Group manages its capital to ensure that its companies can continue as going concerns, and at the same time maximizes the return to all their stakeholders by optimizing the debt and equity balance.
The Group's equity structure consists of its equity and net debt (borrowings and financing detailed in note 13, less cash and cash equivalents).

The Group is not subject to any external capital requirement.

The indebtedness ratio at the end of the period is as follows:

	Company (BR GAAP)		**Consolidated (IFRS and BR GAAP)**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Debt (i)	(6,268,518)	(1,544,641)	(7,339,742)	(2,488,485)
Cash and cash equivalents	3,758,037	257,145	3,998,721	423,062
Net debt	(2,510,481)	(1,287,496)	(3,341,021)	(2,065,423)
Equity (ii)	4,309,110	3,319,825	4,324,400	3,331,879
Debt ratio, net	58.28%	38.78%	77.26%	61.99%

(i) Debt is defined as short- and long-term borrowings, as detailed in note 13.

(ii) Equity includes the entire share capital and the Group's reserves, managed as capital.

b. Financial assets and financial liabilities

The Group's financial assets and financial liabilities refer to cash and cash equivalents, trade accounts receivable, receivables from subsidiaries and Joint ventures, escrow deposits, trade accounts payable to merchants, subsidiaries and Joint ventures, suppliers and borrowings and financing.

The estimated fair values of financial instruments as of December 31, 2014 are as follows:

		12/31/2014			
		Controladora (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Type	Book value	Market value	Book value	Market Value
Cash and cash equivalents	Loans and receivables	3,758,037	3,758,037	3,998,721	3,998,721
Trade accounts receivable	Loans and receivables	9,179,595	9,179,595	9,641,389	9,641,389
Receivables from subsidiaries and Joint ventures	Loans and receivables	115	115	384	-
Escrow deposits	Loans and receivables	1,103,037	1,103,037	1,108,475	1,108,475
Trade accounts payable	Other financial liabilities	613,661	613,661	700,319	700,319
Payables to merchants	Other financial liabilities	930,070	930,070	1,330,176	1,330,176
Payables to subsidiaries and joint ventures	Other financial liabilities	12,210	12,210	-	-
Borrowings and financing	Other financial liabilities	6,268,518	6,268,518	7,339,742	7,339,742

The market value of financial assets and financial liabilities and short and long-term financing was determined, when applicable, by using current interest rates available for transactions conducted under similar conditions and with similar maturity dates.

c. Credit Risk

The Company has an instrument to mitigate the credit risk of the VISA card-issuing banks, used as a hedge against the risk of default by such banks. This hedging instrument consists of the commitment assumed by the VISA brand, pursuant to foreign regulations, to guarantee the transfer to the Company's merchants of all sales made with VISA cards on the related due dates in the event of default by an issuer. The guarantee model implemented by the VISA brand together with the Company prescribes the provision of guarantees (collaterals or bank guarantees) considering the credit risk of the issuer, sales volume with VISA cards and residual risk of default by cardholders. The provision of guarantees is mandatory for all card-issuing banks with credit risk, and amounts are reviewed periodically by VISA and the Company. If the issuer does not provide the requested guarantees, it is not accepted as a member of the system or is disqualified as such.

From July 1st, 2010, the Company has also became acquirer in Brazil to MASTERCARD and the related credit risk is guaranteed by the MASTERCARD itself, in case of default of the card-issuing banks to the Company. The MASTERCARD requires card-issuing banks participating in the system to provide guarantees, collaterals or bank guarantees. If the issuer does not provide the requested guarantees, it is not accepted or disqualified as a member of the system.

The brand systems also prescribe that cardholders can contest transactions made with credit cards within certain timeframes from the date of the transaction. For this purpose, the Company enters into an affiliate agreement with authorized merchants establishing all rules for acceptance of these cards at the point of sale. If transactions are contested by cardholders and the merchant is no longer an affiliated member at the date of the contestation or has no amounts receivable from the Company, then collection will be made through debit to bank account or outside collection agencies and there may be losses to the Company.

The Company leases POS equipment to all affiliated merchants that do not have their own systems to capture transactions. The rent is deducted, on the due date, from the amount of transactions payable to merchants. However, the rent may not be received on the due date whenever there are no amounts payable to merchants. In these cases, the Company collects the rent through debit to future sales, bank account or outside collection agencies, and losses on rent may be incurred.

d. Risk of fraud

The Company uses an antifraud system to monitor transactions with credit and debit cards, which detects and identifies suspected fraud at the time of the authorization and sends an alert message to the card-issuing bank for it to contact the cardholder.

e. Hedges of net investments in foreign operations

The Company, after the funds raised on the issuance of bonds in November 2012 and based on the interpretation 16 of International Financial Reporting Interpretations Committee - IFRIC" (technical interpretation ICPC 06 - Hedge of net investments in foreign transactions), issued in July 2008, and on rule IAS 39 (technical pronouncement CPC 38 - Financial Instruments: Recognition and Measurement), elected to designate as hedge for the investment in Cielo USA, in the amount of US$311,981 thousand, the ten-year bonds held by the Company, in the amount of US$470,000 thousand. The designated financial instrument value, i.e., the ten-year bonds, is increased by the income tax and social contribution gross-up (rate of 34% under Brazilian applicable legislation) for purposes of analysis of the hedge accounting effectiveness.

The net investment hedge effects were recorded in accordance with CPC 38 and IAS 39 - Financial Instruments: Recognition and Measurement. Accordingly, the Company formally designated the transactions by documenting: (i) the hedge purpose; (ii) hedge type; (iii) nature of the hedged risk; (iv) identification of the hedged item; (v) identification of the hedging instrument; (vi) relationship between the hedge and hedged item (retrospective effectiveness test); and (vii) prospective effectiveness.

The adoption of the effectiveness tests described in the accounting practices confirmed the effectiveness of the financial instrument; accordingly, for the year ended December 31, 2014, there was no ineffectiveness recorded in profit or loss from net investment hedges in Cielo USA; consequently, gains or losses from these transactions were fully recorded in the Company's equity.

f. Currency risk

The Group conducts a few transactions in foreign currency, mainly represented by transactions performed by foreign credit card holders in merchants in Brazil. In addition, on August 31, 2012, the Company had the control of Me-S through its holding Cielo USA, both headquartered in the United States of America, whose transactions are conducted in US dollar (functional currency).

The exposures to currency risks are managed in accordance with the criteria set by the policies approved using currency futures contracts.

As of December 31, 2014, the net exposure to foreign exchange rate risk, in thousands of US dollars, is as follows:

	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
Assets:		
Cash and cash equivalents	8,302	78,683
Trade accounts receivable	-	142,586
Other assets	-	17,079
Investments in foreign currency	311,981	-
Property and equipments	-	3,943
Intangible assets, including goodwill	-	786,579
Total	320,283	1,028,870
Liabilities:		
Payables to merchants	(964)	(151,628)
Other liabilities	-	(17,078)
Repayment of borrowings and financing - principal	(470,000)	(875,000)
Repayment of borrowings and financing - interest	(2,203)	(4,096)
Repayment of borrowings and financing - expenses	-	3,510
Deferred income tax	-	(137,253)
Tax effect on hedge instruments - bonds designated as hedge of the net foreign investment	159,800	159,800
Total	(313,367)	(1,021,745)
Long position - US dollar	6,916	7,125

The Company enters into forward exchange transactions for US dollars to hedge against fluctuations in exchange rates, which reduces significantly potential currency risks.

Sensitivity analysis of foreign currency

The Group is mainly exposed to US dollar fluctuations.

Sensitivity analysis includes only monetary items outstanding and denominated in foreign currency and adjusts translation at the end of each reporting period for a change of 10%, 25% and 50% in exchange rates. The sensitivity analysis includes third-party loans when they are denominated in a currency different from that of the creditor or debtor. As of December 31, 2014, estimating the increase or decrease by 10%, 25% and 50% in exchange rates, there would be an increase or decrease in profit and equity, in thousands of Brazilian real (R$), as follows:

	Company (BR GAAP) and Consolidated (IFRS and BR GAAP)		
	10%	**25%**	**50%**
Profit or loss (i)	1,364	1,910	5,020
Equity (i)	1,837	2,573	6,761

(i) Refers mainly to the exposure of trade accounts receivable and trade accounts payable in US dollars at the end of each reporting period.

g. Interest risk on short-term investments

The Company's results of operations are subject to significant fluctuations resulting from short term investments with floating interest rates.

Pursuant to its financial policies, the Company invests its funds in prime banks and has not entered into transactions with financial instruments for speculative purposes.

h. Liquidity risk

The Group manages the liquidity risk by maintaining proper reserves, bank and other credit facilities to raise new borrowings that it considers appropriate, based on the continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

i. Interest rate sensitivity analysis - Short-term investments and borrowings and financing

The funds from the Company's short-term investments are impacted by changes in the CDI rate (source: Cetip) and borrowings are impacted by the changes in the long-term interest rate - TJLP (source: Central Bank of Brazil - Bacen) and Libor (source: Bloomberg). As of December 31, 2014, assuming an increase or reduction of 10%, 25% and 50% in the interest rates, there would be an increase or decrease in finance income or costs in thousands of Brazilian reais, as follows:

	Company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Short-term investments	1,586	3,966	7,932	1,902	4,754	9,508
Borrowings and financing	6,597	16,493	32,986	10,259	25,647	51,294

29 Related-Party Balances and Transactions

In the normal course of activities and under market conditions, the Company conducts transactions with related parties, such as receivables from card-issuing banks, which are the financial groups in which its controlling shareholders hold interests, and expenses on and income from services provided by Servinet, Orizon, Multidisplay, M4Produtos, Braspag and Paggo.

In conducting its business and engaging services, the Company makes market quotations and surveys intended to find the best technical and pricing terms, and the decision on whether or not a transaction should be conducted is made by the chief decision maker of the function purchasing the product or service, regardless of whether such transaction is conducted with related or unrelated parties. Also, the type of business conducted by the Company requires it to enter into agreements with several card-issuing entities, some of which are its shareholders. The Company believes that all the agreements entered into with related parties are carried out on an arm's-length basis.

The tables below include the balances as December 31, 2014 and 2013 and the amount, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company related to the year ended December 31, 2014 and 2013:

	Company (BR GAAP)									
	12/31/2014									12/31/2013
	Shareholders		Subsidiaries and Joint Ventures							
	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4 Produtos	Paggo	Braspag	Total	Total
Assets (Liabilities):										
Short-term investments (a)	23,508	3,610,465	-	-	-	-	-	-	3,633,973	74,633
Trade accounts receivable	2,632	2,095	-	-	-	-	-	-	4,727	3,948
Receivables from subsidiaries and joint ventures	-	-	-	77	-	-	9	29	115	73
Payables to subsidiaries and joint ventures	-	-	(10,647)	-	-	(220)	-	(1,343)	(12,210)	(12,570)

	Company (BR GAAP)									
	12/31/2014									12/31/2013
	Shareholders		Subsidiaries and Joint Ventures							
	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4 Produtos	Paggo	Braspag	Total	Total
Revenues:										
Income from short-term investments (a)	2,589	5,114	-	-	-	-	-	-	7,703	6,399
Revenue from other services (b)	24,898	22,973	-	159	1,581	4,470	93	354	54,528	45,509
Revenue from the rental of POS equipment (c)	-	-	-	292	-	-	-	-	292	1,115
Expenses:										
Other operating expenses - membership commission	(4,979)	(5,244)	-	-	-	-	-	-	(10,223)	(11,403)
Other operating expenses (d)	(20,049)	(2,969)	-	-	-	(3,641)	-	(3,957)	(30,616)	(24,762)
Service agreement with Servinet (e)	-	-	(144,754)	-	-	-	-	-	(144,754)	(114,900)
Data processing services (f)	-	-	-	-	-	-	-	(4,565)	(4,565)	(8,035)

(a) The terms, charges and interest rates of short-term investments were agreed under conditions similar to those applicable to unrelated parties.

(b) Correspond to fraud prevention and bank account blocking services provided by the Company to the shareholder banks and commissions for the processing of transactions for M4Produtos and Multidisplay. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other issuing banks.

(c) See Note 5(e).

(d) Services contracted with shareholder banks, relating to: (i) corporate collective life insurance; (ii) health and dental insurance; and (iii) private pension agreement. The Company understands that the financial conditions adopted by the shareholders in respect of prices, terms and other conditions were applied under conditions similar to those adopted with respect to third parties.

(e) The Company engaged Servinet to provide POS equipment installation and maintenance service to merchants. The payment for the services provided is determined based on the costs incurred by Servinet when the service is provided, plus taxes and a payment margin.

(f) Refer to data processing services provided by M4Produtos and Braspag.

Main related-party transactions

Balances of issuing banks

Receivables from issuing banks, whose net amounts are recorded under the caption "payables to merchants", refer to the amounts payable by the issuers to the company arising from the transactions carried out with credit and debit cards, which will be subsequently transferred by the company to the authorized merchants. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other issuers of credit or debit cards.

Domicile Bank Incentives

The Company entered into agreements with domicile banks to promote the invoicing of commissions and prepayment of receivables. In these agreements, the Company remunerates the banks based on the performance goals established therein.

Advanced payment of receivables with issuing banks

The company has agreements with issuing banks to transfer in advance the amounts from the transactions carried out by the bank's customers with credit cards. These advanced payments are performed in order to generate short-term working capital and the amounts deposited in current account are net of rates for advances, on a pro rata basis, calculated at the market rates that do not significantly differ from those adopted by the issuing banks that are not the company's shareholders.

Use of Cielo authorized network (Value Added Network - VAN)

The Company entered into service agreements with Companhia Brasileira de Soluções e Serviços - CBSS. These services include the capture, authorization and processing of transactions with ALELO cards, as well as services provided to merchants, operational and financial back office services, protection against fraud, issuance of statements and financial control over the electronic transactions resulting from these transactions. The rates and tariffs charged from these related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other banks.

VAN services and connectivity rate - Amex

The company entered into a nonexclusive service agreement for the capture of credit card transactions issued under Amex (VAN) card association, with Bankpar S.A. ("Bankpar"), a Bradesco Group's company which holds the rights over the American Express ("Amex") card association in Brazil. This contract also establishes BankPar remuneration by the Company through payment of connectivity rate for the Company's access to merchants affiliated to Amex brand acquiring systems. Partnership with Amex brand has high potential of generating value to the Company to the extent that supplements its brand portfolio. Execution of these contracts was approved by the Board of Directors provided that legal impediments are met. Prices charged for the provision of this service are similar to those practiced with other third party partners.

Bank account lock

Refers to bank account lock service agreements entered into with various banks, whose service consists of ensuring to the banks the blocking of the bank accounts of the authorized merchants that carry out financial transactions with them. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other domicile banks.

Recordkeeping of Cielo's shares

A stock book-entry service agreement entered into between Cielo and Banco Bradesco S.A., whereby the latter provides stock book-entry and share certificate issuance services to the Company.

Operating services - Stock option program

Service agreement consisting of rendering operating services for the stock option program and the related grants entered into with Bradesco S.A. Corretora de Títulos e Valores Mobiliários.

Other widespread agreements

In addition to the balances recorded, the Company engages other services from the main shareholders, namely:

- Cash management services.
- Insurance.
- Heath insurance and private pension services.
- Corporate credit card.
- Payment to suppliers.

30 Noncash transactions

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Exchange rate changes on net foreign investments	97,800	93,250	97,800	93,250
Exchange rate on borrowings and financing	147,392	140,577	274,797	261,307
Minimum dividends and interest on capital proposed	485,821	460,410	485,821	460,410
Adjustment of tax credits carried to the opening balance of Me-S and recognized as an adjustment to goodwill	-	16,160	-	16,160

31 Insurance

As of December 31, 2014, the Company has following insurance agreements:

Type	**Insured Amount**
Civil liability and Director and Officers	110,000
Nominated risks (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood)	28,983
Loss of profits	15,786
Vehicles	999
POS equipment warehousing	225,201
POS equipment transportation	1,692,902
POS equipment FINAME	1,091,292

32 Other matters

The Law 12973/14 and Regulatory Instruction issued by Brazilian Federal Revenue Service 1397/13, 1493/14, 1515/14 and 1520/14 introduced significant changes in federal tax rules. The provisions of Law 12973/14 are set to come into effect in calendar year 2015 and they may be applied earlier as from calendar year 2014, and shall be formalized in the Statement of Federal Tax Debits and Credits (DCTF) as of August 2014, which must be confirmed or changed in DCTF as of December 2014 (to be filed as of early February 2015).

The Company carried out studies on the effects that could result from the adoption of the provisions of Law 12973 and did not identify opportunities that would justify the adoption in advance to the calendar year 2014, choosing therefore by no anticipation of its effects.

In view of recent publications issued by the Federal Revenue of Brazil (Normative Instructions 1515 and 1520 of November and December 2014, respectively), the Company is reassessing the impacts caused by the recent legal tax framework in order to verify changes in its conclusion, as well as, to be in compliance with new regulation for calendar year 2015.

33 Approval of financial statements

The individual and consolidated financial statements were approved by the Company's Board of Directors and authorized for issuance on January 28, 2015.

DEAR SHAREHOLDERS

We present this Management Report and the Financial Statements of Cielo S. A. for the fiscal years ended December 31, 2014 and 2013, accompanied by the Independent Auditors' Report and the Fiscal Council 's Opinion.

MESSAGE FROM THE MANAGEMENT

The year 2014 marked another important step in Cielo's differentiation strategy relative to the market. Since the beginning of our history as a public company, we have always stated that Cielo focus was to continually invest in business sustainability - prioritizing results, without forgetting to pave the Company's future. We continue leaders in our segment, delivering consistent results every quarter. Evidence of this is in our market cap, which reached R$65.5 billion in the last Bovespa trading day in the year (12/30/14).

Despite the challenges brought by the economic environment, our core business remains thriving. The electronic payment industry growth pace is sustained largely due to the substitution of check and cash, observed in all regions of the country, especially in the countryside, as the participation of cards in household consumption - now at 29.5% - still have plenty of room to expand. We have captured R$517.6 billion in transactions in 2014, equivalent to approximately 9.9% of GDP (considering the cumulative value of the first nine months) and once again we exceeded the statistical challenge of growing more than ourselves, due to the high base of comparison of our results.

But our challenges are many and we will always have them. The competitive environment is another one of them and has only stimulated us to go beyond. Last year, we announced a number of initiatives and partnerships addressing the complementarity of our business, targeting the Company's organic growth, greater operational efficiency and diversification of our revenue sources, movements aligned with our strategic plan, increasingly consolidating us as a service company.

We started offering market intelligence launching in February, the Cielo Broad Retail Index (ICVA), our Big Data strategy, which is an indicator that has become a benchmark for retail monitoring. In April, we signed a memorandum of understanding with CBSS (Cia Brasileira de Soluções e Serviços) to hold a stake in Stelo S.A.'s capital stock, further strengthening our e-commerce operations. In July, we announced a partnership with Smiles, making available to retailers mileage accrual, redemption and consultation through the Smiles loyalty program.

Still in July, Cielo and Linx, a leader in enterprise management technology for retail, announced the signing of a memorandum of understanding aimed at setting up a joint venture - whose implementation is subject to approval by the applicable regulatory authorities - for the development of an integrated and unique solution, which includes commercial automation, management software and electronic payments platform for the Brazilian small retail market. This new offer brings the IPOS (*Integrated Point of Sale*) concept to Brazil.

In November, we announced, together with Banco do Brasil, the creation of a joint venture in order to manage transactions originating from credit and debit card transactions within the Arranjo Ourocard. The operation will result in the creation of a new company, valued at R$11.6 billion, which share capital will be held in the proportion of 70% by Cielo and 30% by Banco do Brasil. BB will contribute in the JV with its assets related to Arranjo Ourocard and Cielo will contribute with R$8.1 billion in the operation, whose financing will be made through the issuance of debentures.

The new company will be responsible for card management supporting activities, among them the payment accounts management, support for the transaction security management and control and the payment of fees to the brands and payment arrangements, being paid by such activities through the exchange rate on credit and debit transactions made with cards issued by Banco do Brasil within the Arranjo Ourocard. It is worth noting that this exchange compensation model is a world's first.

In addition, the JV has the objective of carrying out associations with other partners that can also generate potential additional revenue. This is already a trend in other markets, where large acquirers also serve in other links in the electronic payments chain.

On January 16, 2015, the Superintendency General of the Administrative Council of Economic Defense (CADE) definitively approved the operations provided for in the agreement signed between Cielo and Banco do Brasil. The conclusion of the Association remains subject to compliance with precedent contractual conditions.

Finally, we could not forget to mention the opening of the first brick and mortar Cielo store in São Paulo, a milestone in our service and customer relationship model. The goal is to increasingly approach to our public, simplifying to the maximum the affiliation process with the advantage of personal assistance, a world first in the electronic payments segment. The most evident innovation of this new format is the possibility of the customer to leave the store with a fully functional POS device.

The model is another step in Cielo's multi-channel strategy - which last year also announced to open 19 temporary kiosks in widely circulated shopping malls in Brazil in order to meet the demand of small businesses in the busiest retail period due to Christmas sales.

In relation to sustainability, in November 2014, we began to integrate the Corporate Sustainability Index (ISE), which is effective in the period from 01/05/2015 to 01/02/2016. Said index is maintained by BM&FBovespa, as a performance assessment tool among public companies with respect to corporate sustainability. With the indication, Cielo becomes part, for the second consecutive year, of a select group of public companies recognized by the liquidity of its shares, good management practices and corporate governance. Innovation, sustainability and uniqueness contribute to the visibility of Cielo before its various stakeholders. The public recognition is translated by the awards received at home and abroad. Two of them certainly deserve mention: in 2014, Cielo won the 1st place in the Financial Institutions category (other than banks) in Latin America Executive Team 2013 ranking from Institutional Investor Magazine (best IR team, best CEO, best CFO appointed by sell-side and buy-side, best and third best IR professionals by buy-side). The company was also recognized by the Época Negócios magazine and by Editora Globo as the Company of the Year in the Yearbook 360°.

In addition, several other awards are reasons for pride: by the 8th consecutive time Cielo reaches 1st place in the Services category in the ranking from “Maiores e Melhores da Revista Exame” (Biggest and Best from Exame Magazine); by the 4rd consecutive time Cielo reaches 1st place in the Financial Services category in the “Melhores da Dinheiro” ranking from revista IstoÉ Dinheiro (Best from IstoÉ Dinheiro Magazine); Best Company in the Financial Services sector in the Época Negócios 360º yearbook; 1st place in category Specialized Services, awarded by the 7th consecutive time in the Valor 1000, prepared by the newspaper Valor Economico; 16th place in the ranking of the Most Valuable Brands in Brazil, prepared by the Istoé Dinheiro Magazine in partnership with BrandAnalytics / Millward Brown, and be among the 10 brands more importance in 2013; among the 100 Most Prestigious Brands in Brazil, Época Negócios magazine; 2nd place among the Most Innovative Companies in Brazil, INFO Exame magazine ranking in partnership with ESPM; 2nd place in the ranking of "The 100 Best of Brazil" in the Corporate Governance Index, published by the magazine America Economia; 17th most valuable brand in the BrandZ Ranking country, Millward Brown together with WPP and among the top 100 in the "Featured Companies Agency" award, by Agencia Estado.

In addition to the recognition of sector and financial performance, we are also continuously awarded by the people management practices. n 2014, Cielo was recognized by the 14th time by Você S/A magazine as one of the Best Companies to Work and for the 4th time in a row by the same publication as one of the Best Places to Start a Career. Cielo took 2nd place in the ranking of the Best in People Management in the category 1001-2000 employees, developed by Valor Economico and by Aon Hewitt, and for the same publication, figured in the ranking "Best in people management" Value Career.

Você RH magazine also recognized the Vice President of Organizational Development as Best HR Professional in Banks and Services sector and Cielo was considered, by the same publication, the company that owns the Partner CEO of HR, in 2013. The company was also considered the financial services company that generates more value in the ranking More Value Produced, the Consumidor Modernor magazine and was champion in the category "Relationship with the Community" award "Companies more Aware of Brazil", developed by Istoé Money magazine, and has received the Award Lide of Education, organized by LIDE - Group of Business Leaders, LIDE Education and Instituto Ayrton Senna.

Our dividend policy statutorily ensures minimum dividend distribution of 50% on income, after constitution of legal reserve of 5% of net income for the year, until this reserve reaches 20% of the share capital. The payment of dividends and interest on equity is done twice a year in March and September. For the year 2014, with the approval of the Board of Directors "ad referendum" of the Annual General Meeting, the proposal for payment of dividends and interest on equity corresponds to a distribution of approximately 60% of net income for the year 2014, or R$1.8 billion.

Note that because of the debt that will be assumed by Cielo, due to the transaction with Banco do Brasil and the company's conservatism, the Board of Directors will propose at the Extraordinary General Meeting, to be convened after the closing of the transaction, an amendment to the bylaws in order to reduce the minimum dividend from 50% to 30% of the profits earned in each year. This reduction will allow the Company to exercise flexibility to match the future cash flow generated, towards the new debt. Despite the proposal to change the minimum dividend to 30%, the payout decision will be made in due time, considering the current situation. In other words, this dividend level may be increased as the debt decreases.

We are confident that these movements will allow us to deliver to the market what is best in the world in our segment - with innovation and cutting edge technology, our DNA, but also with the 'basics well done', which is to ensure the reliability of our operation to our more than 1.6 million active customers, with quality, the best products and services and the best customer support, attributes that allow us to deliver results to our shareholders.

OPERATING PERFORMANCE

TRANSACTION FINANCIAL VOLUME

In 2014, Cielo captured 5.659 billion transactions, up 15.5% year-on-year. The transaction financial volume totaled R$517.6 billion, up 15.3% over the R$448.8 billion in 2013.

Specifically with credit cards, transaction financial volume totaled R$312.6 billion in 2014, up 11.8% year-on-year.

With debit cards, transaction financial volume totaled R$205.0 billion in 2014, growing 21.2% over 2013.

FINANCIAL PERFORMANCE

COMPARISON OF THE ANNUAL ENDED AT DECEMBER 31, 2014 AND 2013

NET REVENUE

The Company and its subsidiaries' net revenue from capture, transmission, processing and transaction settlement services for transactions with credit and debit cards, POS rental and other revenues increased R$991.4 million, or 14.7%, to R$7,725.6 million in 2014, as compared to R$6,734.2 million in 2013. The increase in net revenue is chiefly related to the continuous business expansion and to the impact of dollar appreciation in the revenue generated in the USA.

COST OF SERVICES PROVIDED

The cost of services provided increased R$501.0 million or 19.6% to R$3,050.6 million in 2014, compared to R$2,549.6 million in 2013. This increase was chiefly due to the following:

(i) Growth of R$ 193.8 million due to increased costs in the subsidiaries Merchant e-Solutions, which is impacted by dollar appreciation, and M4U;

(ii) Increase of R$ 80.7 million related to a high of brand's fee due to a rise of transaction volume;

(iii) Increase of R$71.1 million related to equipment costs, such as supplies, POS terminals installation, depreciation, maintenance and activation, due to updates in active POS terminals, installation of "Chip&Pin" devices, the re-composition of spare part's stock (cables and batteries) to maintenance in POS terminals;

(iv) Increase of R$69.4 million in costs related to transaction, such as capture and processing, call centers and telecommunications, due to the increase of transaction volume;

(v) Increase of R$51.1 million referred to higher expenses with improvement projects and maintenances in IT/ Operational environment;

(vi) Increase of R$34.2 million in personnel, chiefly related to the increase of IT/ Operations headcount, basically of teams responsible for projects development, as well as to the 6.5% salary adjustment defined by agreement with the union, including its impacts on salaries, provision for profit sharing, Christmas bonus and respective social burdens.

OPERATING EXPENSES

Operating expenses increased R$262.9 million or 26.3% to R$1,263.5 million in 2014, compared to R$1,000.6 million in 2013. The main variations are:

Personnel expenses - Personnel expenses increased R$103.8 million or 38.8% to R$371.1 million in 2014, compared to R$267.3 million in 2013. The increase is substantially related to the increase of Cielo's headcount basically in the commercial department (sales force) and in project management teams, as well as to effect of the 6.5% readjustment defined in agreement with the union, Christmas bonus provision, profit and result sharing and respective social burdens.

General and Administrative Expenses - General and administrative expenses, excluding depreciation, increased R$86.7 million or 33.2%, to R$347.6 million in 2014, compared to R$260.9 million in 2013. The variation was chiefly due to higher spending on professional services related to projects, increase of administrative expenses related to the headcount increase, as well as the average dollar appreciation in the period.

Sales and Marketing expenses - Sales and Marketing expenses increased R$31.6 million or 12.4% to R$287.6 million in 2014, as compared to R$256.0 million in 2013. This variation is due to an increase of sales initiatives, loyalty of customers and marketing efforts, purchase of institutional media and projects and actions to year-end sales. Sales and marketing expenses represented 3.7% of total net revenues in the period.

Equity interest - Equity interest presented positive variation of R$13.6 million, to R$11.5 million revenue in 2014, compared to R$2.1 million expense in 2013. The increase is related to a better net income in subsidiaries, mainly M4U, in relation to 2014.

Other Net Operating Expenses - Other net operating expenses increased R$47.3 million or 25.5%, to R$232.9 million in 2014, compared to R$185.6 million in 2013. The increase is chiefly related to a rise of allowance for doubtful accounts and expenses with investment banks and lawyers to the strategic project for the creation of a joint venture with Banco do Brasil, partially offset by the reduction of provision for civil and labor contingencies and the recognition of Paggo's goodwill impairment loss in 2013.

FINANCIAL RESULT

The financial result totaled R$1,396.4 million in 2014, 63.4% or R$541.8 million increase from the R$854.6 million recorded in 2013. The main variations are the following:

Financial revenues - Financial revenue decreased R$0.3 million or 1.6% to R$19.8 million in 2014, compared to R$20.1 million in 2013.

Financial expenses. Financial expenses increased R$13.3 million, or 11.1% from R$118.8 million in 2013 to R$132.1 million in 2014. This variation is chiefly due to higher indebtedness average level with third parties in 2014.

Prepayment of receivables result. - Prepayment of receivables net of present value adjustment and interest from prepayment of receivables with issuing banks increased R$553.3 million or 58.3% to R$1,508.6 million in 2014, compared to R$953.2 million in 2013. This increase is mainly due to rise in prepayment of receivables volumes for merchants, partially offset by an increase of interest expenses related to prepayment of receivables with issuing banks.

EBITDA

EBITDA totaled R$3,838.9 million in 2014, up 7.4% over 2013.

EBITDA (R$ million)	2014	2013	2014 X 2013
Cielo Net Income	3,219.8	2,673.6	20.4%
Other shareholders that not of Cielo S.A.	9.1	7.1	28.4%
Financial Income (Expenses)	1,396.4	854.6	63.4%
Tax and Social Contribution	1,578.9	1,358.0	16.3%
Depreciation and Amortization	427.5	391.2	9.2%
EBITDA	**3,838.9**	**3,575.3**	**7.4%**
% EBITDA Margin	*49.7%*	*53.1%*	*(3,4 p.p)*

EBITDA consists of net income, plus income tax and social contribution, financial income (expenses) and depreciation and amortization. It should be noted that, for this calculation, the share of minority shareholders is added to the parent company's net income. The EBITDA has limitation that may harm its use as an indicator of the profitability of the Company and its subsidiaries, since costs related to the business are not considered, and could deeply impact the income, e.g., financial expenses, taxes, depreciation, equity expenses and other related charges.

EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil. It does not represent the cash flow for the presented periods and it should not be considered as an alternative to net income, an operating performance measure or as an alternative to operating cash flow or as a measurement of liquidity.

ARBITRATION CHAMBER

The Company is subject to arbitration at the Market Arbitration Chamber, according to the arbitration clause in its bylaws.

CORPORATE GOVERNANCE

Corporate Governance is valuable for Cielo, so one of its goals is the continuous improvement pursuing the highest level for corporate governance, aiming to keep the most appropriate balance in the allocation of rights, powers, obligations and responsibilities among management, board of directors and shareholders, allowing the company to operate efficiently and to create value on long-term basis. In this respect, the Company is committed, voluntarily, to adopt practices that exceed the requirements of the law and of the stock exchange segment in which it is listed, BM&FBovespa Novo Mercado, with respect to corporate governance and shareholder rights, always ensuring ethical and sustainable behavior. As a result, we have adopted some practices such as, maintaining a Board of Directors composed of 30% (thirty percent) of independent members, a Corporate Governance Department dedicated to support the governance bodies of the Company and its subsidiaries, establishing a mechanism for the Board’s self-assessment, collectively and individually, restricting the information exchange to the Corporate Governance Electronic Portal, maintaining the Dividend, Disclosure, and Related Party Transactions Policies as well as situations involving Conflicts of Interest, in addition to the Code of Ethics, which establishes rules of conduct when relating to all stakeholders: employees, customers, suppliers, investors, regulatory agencies, society and the government.

So that the interests of its directors are in the best interests of its shareholders, especially minority shareholders, the monitoring of the management and performance of Cielo is currently exercised by a Board of Directors composed of 11 directors, of which 3 are independent members, by a nonpermanent Fiscal Council composed of 5 directors, of which 2 are independent members, by an Executive Board composed of 7 members, and by Management Advisory Committees and Forums to the Board of Directors to the Executive Board, respectively.

The highest governance body of the Company is the Board of Directors, which is composed entirely of members who do not serve in the executive board. Besides the Board of Directors, all other management bodies of the Company are responsible for the effective adoption of best governance practices, and the Corporate Governance Committee whose main responsibility is to establish Cielo’s governance strategy and guidelines, and the Corporate Governance Department whose main responsibility is to ensure compliance with governance rules and procedures within the principles of ethics and sustainability.

Since June 01, 2011, Cielo is listed on the OTCQX International OTC market, which distinguishes leading international companies from other securities traded in the U.S. OTC market for the quality of its operational business, the excellence of its release and its listing in qualified foreign stock exchanges. From 2014 onwards, Cielo joined the BM&FBovespa's Corporate Sustainability Index (ISE) portfolio.

On the subject of sustainability, the Company maintains structured practices, such as the publication of a Sustainability Report, audited and guided by international standards, conducting and disseminating a Greenhouse Gas Emissions Inventory and the implementation of several policies that address important issues such as the environment, people management and corporate risk, gathered in a strict Code of Ethics shared among employees and suppliers. Cielo also has a Sustainability Committee, established in 2013 as an advisory body to the Board of Directors, which aims to contribute to the inclusion of topics related to Sustainability in the Company's business processes, ensuring business success on long-term basis, while contributing to a healthy environment, a fair society and economic and social development of Brazil.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Under CVM Rule 381/03, we inform that during 2014 the Company contracted the independent audit services of KPMG.

The Company’s Policy for contracting independent audit services seeks to ensure that there are no conflicts of interest, loss of independence or objectivity. These principles, based on internationally accepted principles, consist of: (a) the auditor should not audit his own work, (b) the auditor should not exercise management positions at his client, and (c) the auditor should not foster the interests of the client. In this sense, the Declaration of Independence of the Company's independent audit was presented and accepted by the Board during the review meeting of the year 2014 results

Cielo declares that the independent auditors has supplied it with two services not related to external audit of the year 2014, with the first, consisting to review the assessment made by management of the financial impacts from the new regulation of the payment industry, and the second is the issue of assessment report on the technology environment and internal controls for specific purposes (ISAE3402) for the US subsidiary Merchant e-Solutions. Both contracts met the corporate governance requirements of the company, under which any extraordinary engagement of independent audit that audits the financial directly or indirectly statements need first be reviewed by the Audit Committee and authorized by the Board of Directors (Article 5 letter "k" of the Bylaws), as the Minutes available to market. The contracts values imported approximately R$ 567,000 (five hundred and sixty-seven thousand), representing 23% of aggregated costs of audit fees of Cielo and its subsidiaries financial statements.

DECLARATION OF THE BOARD

In compliance with the provisions of CVM Instruction no. 480/09, the Management declares that it has discussed, reviewed and concurred with the views expressed in the independent auditors' report and the respective financial statements for the fiscal year ended December 31, 2014.